(A free translation of the original in Portuguese)

Hypermarcas S.A. and Hypermarcas S.A. and Subsidiaries

Quarterly Information (ITR) at June 30, 2011 and Report on Limited Review of Quarterly Information

(A free translation of the original in Portuguese)

Report on Review of Quarterly Information

To the Board of Directors and Stockholders of
Hypermarcas S.A. and Hypermarcas S.A. and Subsidiaries

We have reviewed the accompanying parent company and consolidated interim accounting information of Hypermarcas S.A., included in the Quarterly Information (ITR) Form for the quarter ended June 30, , 2011, comprising the balance sheet and the statements of income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated interim statements of value added for the quarter and six-month period ended June 30, 2011, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

São Paulo, August 5, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Douglas Souza de Oliveira
Contador CRC 1SP191325/O-0

Hypermarcas S.A.

Balance Sheets

All amounts in thousands of reais (A free translation of the original in Portuguese)

		Parent		Consolidated	
Assets	**Notes**	**June 30, 2011**	**December 31, 2010**	**June 30, 2011**	**December 31, 2010**
Current assets					
Cash and cash equivalents	**9**	2,709,759	2,386,446	2,756,403	2,409,503
Trade receivables	**10**	939,478	1,009,773	1,015,589	1,130,662
Inventories	**11**	472,513	306,110	748,479	465,697
Taxes recoverable	**12**	367,826	322,346	437,345	346,517
Other assets		145,256	106,961	176,981	135,129
		4,634,832	4,131,636	5,134,797	4,487,508
Non-current assets held for sale	**13**	3,290	4,590	21,887	4,590
		4,638,122	4,136,226	5,156,684	4,492,098
Non-current assets					
Long-term receivables					
Receivables from related parties	**33**	2,240	4,681	9,181	38
Deferred income tax and social contribution	**20**	72,958	16,151	173,522	31,408
Taxes recoverable	**12**	93,315	27,454	113,772	33,834
Other assets		13,521	28,439	59,789	32,972
Investments in subsidiaries	**14**	3,116,080	1,348,611		
Other investments		156	17,900	434	17,706
Property, plant and equipment	**15**	446,362	370,190	1,242,250	739,685
Intangible assets	**16**	4,751,344	3,756,679	6,973,294	4,639,441
		8,495,976	5,570,105	8,572,242	5,495,084
Total assets		13,134,098	9,706,331	13,728,926	9,987,182

		Parent		Consolidated	
Equity and liabilities	Notes	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Current liabilities					
Trade payables	18	208,594	139,890	199,525	184,179
Borrowings	19	567,119	437,505	600,542	488,646
Salaries payable		64,752	43,151	102,145	68,461
Income tax and social contribution payable		4,003		24,025	2,263
Taxes payable	21	36,698	19,337	115,693	65,887
Notes payable	23	639,146	605,263	639,146	605,263
Proposed dividends	27 (j)	75,555	75,555	75,555	75,555
Payables	22	163,038	230,861	200,674	258,299
		1,758,905	1,551,562	1,957,305	1,748,553
Non-current liabilities					
Borrowings	19	3,810,221	2,425,377	3,894,206	2,461,653
Payables to related parties	33	1,625	138		5,425
Notes payable	23	469,446	614,942	469,446	614,942
Deferred income tax and social contribution	20	28,304	30,120	61,547	30,120
Other payables	24	18,772	16,231	77,450	33,945
Provisions for contingencies	30	262,817	8,870	484,964	33,453
		4,591,185	3,095,678	4,987,613	3,179,538
		6,350,090	4,647,240	6,944,918	4,928,091
Equity					
Share capital	27	5,227,017	3,321,195	5,227,017	3,321,195
Capital reserves	27	1,391,870	1,404,285	1,391,870	1,404,285
Revenue reserves		283,335	283,335	283,335	283,335
Carrying value adjustments	27 (l)	(204,443)	50,276	(204,443)	50,276
Retained earnings		86,229		86,229	
		6,784,008	5,059,091	6,784,008	5,059,091
Total equity and liabilities		13,134,098	9,706,331	13,728,926	9,987,182

The accompanying notes are an integral part of these financial statements.

Hypermarcas S.A.

Statements of Income

All amounts in thousands of reais, unless otherwise stated (A free translation of the original in Portuguese)

	Notes	Parent			
		Current quarter 4/1/2011 to 6/30/2011	Accumulated - current period 1/1/2011 to 6/30/2011	Prior quarter 4/1/2010 to 6/30/2010	Accumulated - prior period 1/1/2010 to 6/30/2010
Continuing operations					
Net revenue	**29**	878,709	1,607,395	677,551	1,346,763
Cost of sales		(392,737)	(704,340)	(305,317)	(616,690)
Gross profit		485,972	903,055	372,234	730,073
Selling and marketing expenses	**26**	(349,319)	(607,048)	(257,578)	(448,213)
General and administrative expenses	**26**	(57,072)	(105,366)	(35,543)	(78,752)
Other operating income (expenses), net		77,663	80,816	18,663	38,217
Share of profit (loss) of subsidiaries		16,744	33,913	12,872	17,944
Operating profit		173,988	305,370	110,648	259,269
Finance income	**26**	67,628	114,413	34,854	48,773
Finance costs	**26**	(131,966)	(256,866)	(74,111)	(149,058)
Finance costs, net		(64,338)	(142,453)	(39,257)	(100,285)
Profit before income tax and social contribution		109,650	162,917	71,391	158,984
Income tax and social contribution	**20**	(56,359)	(76,754)	(26,745)	(59,153)
Profit for the period from continuing operations		53,291	86,163	44,646	99,831
Discontinued operations					
Profit for the period from discontinued operations			66		
Profit for the period		53,291	86,229	44,646	99,831

Statements of Income

All amounts in thousands of reais, unless otherwise stated **(continued)**

	Notes	Consolidated Current quarter 4/1/2011 to 6/30/2011	Accumulated - current period 1/1/2011 to 6/30/2011	Prior quarter 4/1/2010 to 6/30/2010	Accumulated - prior period 1/1/2010 to 6/30/2010
Continuing operations					
Net revenue	**29**	936,613	1,781,860	746,659	1,394,340
Cost of sales		(370,074)	(689,893)	(329,744)	(603,045)
Gross profit		566,539	1,091,967	416,915	791,295
Selling and marketing expenses	**26**	(378,555)	(689,495)	(283,305)	(475,627)
General and administrative expenses	**26**	(74,504)	(144,192)	(43,876)	(89,857)
Other operating income (expenses), net		64,565	69,645	29,049	44,930
Operating profit		178,045	327,925	118,783	270,741
Finance income	**26**	68,507	116,243	35,660	49,653
Finance costs	**26**	(135,702)	(264,302)	(79,484)	(155,067)
Finance costs, net		(67,195)	(148,059)	(43,824)	(105,414)
Profit before income tax and social contribution		110,850	179,866	74,959	165,327
Income tax and social contribution	**20**	(57,559)	(93,703)	(30,313)	(65,496)
Profit for the period from continuing operations		53,291	86,163	44,646	99,831
Discontinued operations					
Profit for the period from discontinued operations			66		
Profit for the period		53,291	86,229	44,646	99,831

The accompanying notes are an integral part of these financial statements.

		Capital reserve						Revenue reserve				
	Capital	Reserve for future capital increase	Share premium	Stock options	Treasury shares	Legal reserve	Tax incentive reserve	Unrealized profit reserve	Statutory reserves	Profit for allocation by AGO	Retained earnings (accumulated deficit)	Carrying value adjustments	Total
At December 31, 2009	**2,555,552**		**787,637**	**5,240**		**5,828**				**83,053**	**(19,577)**		**3,417,733**
Payment of capital - funds obtained from the stock option program (Note 27 (a))	6,565												6,565
Advance for future capital increase (AFAC)		153,000											153,000
Payment of capital - merger of shares (Note 27(a))													
Primary public offering (Note 27(a))	606,078		626,538										1,232,616
Costs incurred - CVM Resolution 556/08 (Note 27(i))			(23,179)										(23,179)
Adjustments to debentures convertible into shares													
Stock options (Note 27(c))				5,370									5,370
Establishment of tax incentive reserve (Note 27(e))							38,726			(38,726)			
Establishment of statutory reserve (Note 27(g))									44,327	(44,327)			
Profit for the period											99,831		99,831
Legal reserve (Note 27(d))													
Proposed dividends (increase/decrease) (Note 27(h))								27,685					27,685
Profit at the disposal of the Annual General Meeting (AGO)													
At June 30, 2010	**3,168,195**	**153,000**	**1,390,996**	**10,610**		**5,828**	**38,726**	**27,685**	**44,327**		**80,254**		**4,919,621**
Payment of capital - funds obtained from the stock option program (Note 27 (a))													
Advance for future capital increase (AFAC)													
Payment of capital - merger of shares (Note 27(a))	153,000	(153,000)											
Primary public offering (Note 27(i))													
Costs incurred - CVM Resolution 556/08 (Note 27(i))													
Adjustments to debentures convertible into shares												50,276	50,276
Stock options (Note 27(c))				2,679									2,679
Establishment of tax incentive reserve (Note 27(e))													
Establishment of statutory reserve (Note 27(g))													
Profit for the year											162,070		162,070
Legal reserve (Note 27(d))						12,117					(12,117)		
Proposed dividends (increase/decrease) (Note 27(h))											(75,555)		(75,555)
Profit at the disposal of the Annual General Meeting (AGO)										154,652	(154,652)		
At December 31, 2010	**3,321,195**		**1,390,996**	**13,289**		**17,945**	**38,726**	**27,685**	**44,327**	**154,652**		**50,276**	**5,059,091**
Payment of capital - funds obtained from the stock option program	5,822												5,822
Payment of capital - merger of shares (Note 27(a))	1,900,000												1,900,000
Adjustments to debentures convertible into shares												(33)	(33)
Stock options (Note 27(c))				6,389									6,389
Unrealized profit reserve								5,403		(5,403)			
Establishment of tax incentive reserve							23,613			(23,613)			
Establishment of statutory reserve									125,636	(125,636)			
Treasury shares (Note 27(k))					(18,804)								(18,804)
Fair value adjustment in business combination (Note 27(j))												(254,686)	(254,686)
Profit for the period											86,229		86,229
At June 30, 2011	**5,227,017**		**1,390,996**	**19,678**	**(18,804)**	**17,945**	**62,339**	**33,088**	**169,963**		**86,229**	**(204,443)**	**6,784,008**

The accompanying notes are an integral part of these financial statements.

Hypermarcas S.A.

Statements of Cash Flows

All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent		Consolidated	
	1/1/2011 to 6/30/2011	1/1/2010 to 6/30/2010	1/1/2011 to 6/30/2011	1/1/2010 to 6/30/2010
Cash flows from operating activities				
Profit before income tax and social contribution	163,017	158,984	179,966	165,327
Adjustments				
Depreciation and amortization	23,407	18,375	42,262	22,236
Gain on sale of permanent assets	(28,588)	(148)	(29,089)	(143)
Share of profit/(loss) of subsidiaries	(33,913)	(17,944)		
Foreign exchange (gains) losses	(28,203)	23,366	(29,144)	23,847
Interest and other related expenses	170,656	76,919	177,203	82,579
Stock option expenses	5,998	5,371	6,389	5,371
Adjusted profit	272,374	264,923	347,587	299,217
Decrease (increase) in assets				
Trade receivables	274,732	108,312	288,504	89,762
Inventories	(174,364)	(50,516)	(168,421)	(62,660)
Taxes recoverable	(74,512)	(75,111)	(98,831)	(78,815)
Judicial deposits and other	(2,198)	2,064	(4,563)	1,342
Other receivables	(38,504)	(52,274)	(34,550)	(58,609)
Increase (decrease) in liabilities				
Trade payables	(47,337)	(30,256)	(41,867)	26,083
Income tax and social contribution paid	(15,839)	(3,887)	(34,041)	(6,072)
Taxes payable	4,012	5,754	10,214	(37,420)
Salaries and social charges	9,991	11,452	10,808	16,390
Payables	(72,954)	10,972	(83,841)	14,610
Interest paid	(2,080)	(9,943)	(4,105)	(12,193)
Other payables	4,253	(4,953)	(16,231)	(16,801)
Net cash generated from operating activities	137,574	176,537	170,663	174,834
Cash flows from investing activities				
Acquisition of subsidiaries (less net cash acquired)	(920,824)	(467,922)	(830,264)	(418,822)
Purchase of property, plant and equipment	(76,537)	(13,936)	(116,434)	(30,224)
Purchase of intangible assets	(90,490)	(9,591)	(102,652)	(1,801)
Cash and cash equivalents received through mergers	50,829			
Proceeds from equipment disposal	36,551	199	43,857	665
Interest received	109,248	46,648	109,911	47,159
Net cash used in investing activities	(891,223)	(444,602)	(895,582)	(403,023)
Cash flows from financing activities				
Proceeds from issuance of shares		1,204,060		1,204,060
Capital increase	5,822		5,822	
Proceeds from borrowings	1,640,707	639,470	1,670,437	666,091
Repayment of borrowings	(553,494)	(678,168)	(579,559)	(708,661)
Interest paid on borrowings	2,732	4,110	6,047	3,638
Dividends paid			(12,124)	
Purchase of treasury shares	(18,804)		(18,804)	
Net cash generated from financing activities	1,076,962	1,169,472	1,071,819	1,165,128
Net increase in cash and cash equivalents	323,313	901,407	346,900	936,939
Cash and cash equivalents at the beginning of the period	2,386,446	499,137	2,409,503	499,279
Cash and cash equivalents at the end of the period	2,709,759	1,400,544	2,756,403	1,436,218
Change in cash and cash equivalents	323,313	901,407	346,900	936,939
Transactions not involving cash				
Acquisition of PP&E through leases	1,196		3,838	3,137
Acquisition of brands/rights of use				558
Acquisition of companies	2,018,690	474,900	2,018,690	474,900
	2,019,886	474,900	2,022,528	478,595

The accompanying notes are an integral part of these financial statements.

Hypermarcas S.A.

Statements of Value Added

All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Gross revenue				
Sales of goods and products	1,065,065	1,949,900	842,267	1,659,900
Other revenue	77,663	80,816	18,663	38,217
Provision for impairment of trade receivables	(5,676)	(13,686)	(3,329)	(7,592)
	1,137,052	2,017,030	857,601	1,690,525
Inputs acquired from third parties				
Cost of material, products and services sold	(380,868)	(683,531)	(298,200)	(598,100)
Material, electricity, outsourced services and other operating expenses	(369,577)	(626,594)	(317,085)	(560,825)
	(750,445)	(1,310,125)	(615,285)	(1,158,925)
Gross value added	386,607	706,905	242,316	531,600
Depreciation and amortization	(11,065)	(23,407)	(9,565)	(18,375)
Net value added generated by the Company	375,542	683,498	232,751	513,225
Value added received through transfer				
Share of profit of subsidiaries	16,744	33,913	12,872	17,944
Finance income	67,628	114,413	34,854	48,773
	84,372	148,326	47,726	66,717
Total value added to distribute	459,914	831,824	280,477	579,942
Distribution of value added	459,914	831,824	280,477	579,942
Personnel and social charges	118,390	217,468	77,280	145,673
Direct compensation	91,463	168,352	60,109	111,325
Benefits	21,158	37,047	12,745	26,035
Government Severance Indemnity Fund for Employees (FGTS)	5,769	12,069	4,426	8,313
Taxes and contributions	148,064	255,855	78,949	176,454
Federal	69,041	115,099	16,626	45,781
State	78,128	137,937	61,354	128,362
Municipal	895	2,819	969	2,311
Interest	131,202	255,360	73,164	145,262
Rentals	8,967	16,912	6,438	12,722
Earnings reinvested	53,291	86,229	44,646	99,831

Statements of Value Added

All amounts in thousands of reais **(continued)**

	Consolidated			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Gross revenue				
Sales of goods and products	1,172,858	2,251,927	965,205	1,785,695
Other revenue	64,565	69,645	29,049	44,930
Provision for impairment of trade receivables	(5,700)	(13,702)	(3,543)	(7,806)
	1,231,723	2,307,870	990,711	1,822,819
Inputs acquired from third parties				
Cost of material, products and services sold	(362,234)	(628,434)	(315,177)	(571,913)
Material, electricity, outsourced services and other operating expenses	(487,185)	(820,489)	(358,622)	(614,661)
	(849,419)	(1,448,923)	(673,799)	(1,186,574)
Gross value added	382,304	858,947	316,912	636,245
Depreciation and amortization	(23,444)	(42,262)	(11,941)	(22,236)
Net value added generated by the Company	358,860	816,685	304,971	614,009
Value added received through transfer				
Share of profit of subsidiaries				
Finance income	68,507	116,243	35,660	49,653
	68,507	116,243	35,660	49,653
Total value added to distribute	427,367	932,928	340,631	663,662
Distribution of value added	427,367	932,928	340,631	663,662
Personnel and social charges	194,597	359,720	116,003	207,303
Direct compensation	148,876	281,001	86,188	151,562
Benefits	36,463	59,228	23,201	44,135
Government Severance Indemnity Fund for Employees (FGTS)	9,258	19,491	6,614	11,606
Taxes and contributions	29,547	195,153	91,410	186,127
Federal	17,618	128,439	38,667	83,730
State	9,804	61,063	50,032	97,554
Municipal	2,125	5,651	2,711	4,843
Interest	134,662	262,222	78,190	150,864
Rentals	15,270	29,604	10,382	19,537
Earnings reinvested	53,291	86,229	44,646	99,831

The accompanying notes are an integral part of these financial statements.

1 General Information

Hypermarcas S.A. is a Brazilian company engaged in manufacturing mass consumer products, operating three main business lines, with a wide portfolio of traditional brands: i) pharmaceutical; (ii) beauty and personal hygiene; and (iii) cleaning and food. Among the various brands in the Company's portfolio, we highlight the following: Agecare, Alivium, Apracur, Atroveran, Apraz, Bambair, Biotônico Fontouro, Blumel, Calminex, Celastamine, Celestone, Cibrato, Cizax, Coristina, Dersab, Diprogenta, Diprosalio, Diprosone, Diprospan, Dramovit, Doril, Engov, Epocler, Estomazil, Epidac, Epidrat, Episol, Fluir, Furacin, Gastrol, Garasone, Gelol, Jontex, Lactopurga, Lisador, Lucretin, Melhoral, Merthiolate, Macrodantina, Milgamma, Nasaleze, Neo Química Genéricos, Olla, Ovatel, Oximax, Pelus, Polaramine, Pratium, Predsim, Procsim, Quadriderm, Rinosoro, Scaflam, Senareti, Tamarine, Tefin, Virilon, Zero Cal, Avanço, Affective, Bigfral, Biocolor, Biorene, Bozzano, Cremer, Éh!, NY.Looks, Paixão, Cenoura & Bronze, Fluffy, Personna, Leve, Monange, Rastro, Risqué, Pom Pom, Plim-Plim, Puppet,Trés Marchand, Maturidade, Única, Sanifill, Sapeka Bitufo, York, Palinetes, Silhouette, Cross Hatch, Perfex, Assolan, Etti, Finn, Mat Inset, Salsaretti.

The production of merchandise related to the pharmaceutical, beauty and personal hygiene segments is substantially carried out by the subsidiaries Cosmed Indústria de Cosméticos e Medicamentos S.A, Mantecorp Indústria e Farmacêutica S.A. and Brainfarma Indústria e Farmacêutica S.A.

The Company's industrial complexes and distribution centers are located in Araçatuba-SP, Barueri-SP, Bragança Paulista-SP, Cajamar-SP, Guarulhos-SP, Itupeva - SP, Mogi das Cruzes-SP, São Paulo-SP, São Roque-SP, Taboão da Serra-SP, Anápolis-GO, Aparecida de Goiânia-GO, Goiânia-GO, Contagem-MG, Juiz de Fora-MG, Itajaí-SC, Curitiba-PR, Porto Alegre-RS, Maceió-AL, Cabo de Santo Agostinho-PE, Rio de Janeiro-RJ, Caxias-RJ. The Company is headquartered in São Paulo, capital of the State of São Paulo.

The Company enjoys State Value-added Tax (ICMS) tax benefits under the following programs: Program for the Development of the State of Pernambuco (Prodepe), Fund for the Industrial Development of the State of Goiás (Fomentar) and Program for the Industrial Development of the State of Goiás (Produzir).

Corporate restructuring

On April 16, 2008, the Brazilian Securities Commission (CVM) approved the listing of Hypermarcas S.A. on the New Market of the São Paulo Stock Exchange (BOVESPA), thus allowing the Company's common shares to be traded on that stock exchange.

In July 2009 and April 2010, primary public offerings of shares were held.

The funds obtained from these offerings have been used mainly to acquire new companies, assets and brands, as well as to launch new products.

Since the start-up of operations, the Company has carried out various corporate transactions in line with its strategy of expansion and investment in a portfolio of brands and products.

The acquisitions reflect the Company's strategic focus on the search for opportunities to achieve synergies in its sales, distribution, operating and administrative structure, as well as to take advantage of the untapped growth potential of dormant brands. Below are the main acquisitions of companies, brands and rights of use carried out, which are further detailed in Note 17.

. 2007 - Strategic acquisitions in the following business activities: (i) food, cosmetics and drugs, primarily represented by DM Indústria Farmacêutica Ltda., Finn Administradora de Marcas Ltda. and Éh Cosméticos S.A. (50%), and (ii) insecticides and sanitary deodorizers, with the acquisition of Sul Química Ltda. Also in 2007, these companies were merged into the Company, as were Etti Produtos Alimentícios Ltda., Quimivale Industrial Ltda. and Distribuidora Clean Ltda., companies acquired up to 2006.

. 2008 - The most significant acquisitions carried out in 2008 were Laboratório Americano de Farmacoterapia S.A. - Farmasa (drug segment), Niasi Indústria e Comércio Ltda. (currently Cosmed) and Aprov Comércio de Cosméticos Ltda. (beauty segment) and Ceil Comércio e Distribuidora Ltda. (personal hygiene and beauty sector). Except for Niasi, all the other companies were merged into the Company in 2008.

. 2009 - The Company, through partial split-off and merger processes, decided to concentrate the drug, beauty and personal hygiene manufacturing operations in its subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A. In the second half of 2009, the companies Pom Pom Produtos Higiênicos Ltda. (Pom Pom), Indústria Nacional de Artefatos de Látex Ltda. (Inal) and Laboratório Neo Química Comércio e Indústria S.A. were acquired and merged into the Company.

. 2010 - The main acquisitions carried out in 2010 were: Versoix Participações Ltda. (Jontex) - condom maker and Luper Indústria Farmacêutica Ltda. (Virilon and Gastrol) - drug maker and Facilit Odontológica e Perfumaria Ltda. (Sanifill) - maker of dental hygiene products, Sapeka Indústria e Comércio de Fraldas Descartáveis S.A. (Sapeka) - diaper maker, York S.A. Indústria e Comércio (Palinete and Silhouette), maker of cotton swabs, bandages, sanitary pads an cotton balls/rolls.

. 2011 - The main acquisitions carried out in the six-month period were:

I. Mantecorp Indústria Química e Farmacêutica S.A. (and subsidiaries) - Acquisition of 100% of capital, on 01/24/2011. This company is engaged in the manufacturing and sale of drugs, such as Polaramine, Quadriderm and Coristina.

On February 28, 2011, Mantecorp Indústria Química Farmacêutica S.A. was partially spun off in relation to the investments it holds in Brainfarma Indústria e Farmacêutica S.A and Mantecorp Logística, Distribuição e Comércio Ltda. Hypermarcas S.A immediately merged these shares and, subsequently, merged Mantecorp Logística, Distribuição e Comércio Ltda.

II. Mabesa do Brasil Ltda. (and subsidiaries) - Acquisition of 100% of capital, on 01/19/2011. This company is engaged in the manufacturing and sale of disposable diapers, wet tissues and women's sanitary pads, among other products, which are traded under the brand names Cremer-Disney, Plim Plim, Puppet and Affective, among other names. On January 26, 2011, Mabesa do Brasil S.A. merged its parent company Mabesa do Brasil Ltda.

2 Summary of Significant Accounting Policies

The main accounting policies applied in the preparation of this individual and consolidated quarterly information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The quarterly information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale, non-current assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss for the year, as described in Note 2.12.

The preparation of quarterly information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and consolidated quarterly information are disclosed in Note 3.

This quarterly information was approved at a Board of Directors' Meeting held on August 4, 2011.

(a) Consolidated quarterly information

The consolidated quarterly information has been prepared in accordance with technical pronouncement CPC 21, "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC).

The consolidated quarterly information has also been prepared in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).

This quarterly information is being presented in accordance with the standards issued by CVM applicable to the Quarterly Information (ITR).

(b) Parent company quarterly information

The parent company quarterly information has been prepared in accordance with the technical pronouncement CPC 21, "Interim Financial Reporting", and is disclosed together with the consolidated quarterly information.

This quarterly information is being presented in accordance with the standards issued by CVM applicable to the Quarterly Information (ITR).

(c) Statements of comprehensive income

The Company has no transactions classified as "Other comprehensive income", and, therefore, did not present this statement.

2.2 Consolidation

(a) Consolidated quarterly information

The following accounting policies are applied in the preparation of the consolidated quarterly information.

(i) Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, and they are generally wholly-owned subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. (Note 14)

The Company uses the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recognized in the result as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company considers a measurement period of one year, as from the date of the business combination.

The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between the Company and its subsidiaries are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Parent company quarterly information

In the parent company quarterly information, the subsidiaries are accounted for under the equity method. The same adjustments are made in the parent company and consolidated quarterly information to reach the same profit or loss and equity attributable to the stockholders of the parent company. The accounting practices adopted in Brazil applicable to the parent company quarterly information differ from IFRS applicable to the separate quarterly information only in relation to the measurement of investments in subsidiaries based on the equity accounting method, while this is based on cost or fair value in accordance with IFRS.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

2.4 Foreign currency translation

(a) Functional currency and presentation currency

Items included in the quarterly information of each of the Company's entities are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The consolidated quarterly information is presented in R$, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates effective at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings, trade payables, notes payable, trade receivables, and cash and cash equivalents are presented in the statement of income within "Finance income or costs".

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value, and bank overdrafts. Bank overdrafts are shown within "Borrowings" in current liabilities in the balance sheet.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "Trade receivables" and "Cash and cash equivalents" in the balance sheet (Notes 2.8 and 2.5).

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and the transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are presented in the statement of income within "Finance income (costs)" in the period in which they arise.

Interest calculated using the effective interest method is recognized in the statement of income as part of finance income.

2.6.3 Offset of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

. adverse changes in the payment status of borrowers in the portfolio; and

. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

2.7 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is accounted for in the statement of income within "Finance income or costs", since such financial instruments are not designated as hedging instruments, i.e., although the Company makes use of derivatives for hedging purposes, it does not apply hedge accounting.

2.8 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment of trade receivables. Usually, in practice, they are recognized at the amount billed, adjusted by the provision for impairment, when necessary.

2.9 Inventories

Inventories of raw and packaging materials are stated at average purchase cost, which is lower than replacement cost or realizable values. The costs of finished products and work in process comprise raw materials, direct labor, other direct costs and related general production expenses, always based on the normal operating capacity. The net realizable value is the estimated sales price in the normal course of business, net of completion costs and selling expenses. Imports in transit are stated at the accumulated cost of each import.

2.10 Non-current assets held for sale

Assets of the disposal group are classified as held for sale when their carrying value is recoverable, particularly in the case of a sale and when the completion of such sale is practically certain. Although a possible disinvestment is being analyzed, under the terms disclosed by the Company on June 29, 2011, currently there is not yet a conclusion that this disinvestment is highly probable. These assets are stated at the lower of the carrying value and fair value, less sales cost, if the carrying value can be recovered, particularly by means of a sale transaction and not due to continuing use.

2.11 Intangible assets

(a) Goodwill

Goodwill is represented by the positive difference between the consideration paid and/or payable for the acquisition and the net amount of the fair value of the assets and liabilities of the subsidiary acquired. Goodwill on acquisitions of subsidiaries is included in "Intangible assets" in the consolidated quarterly information and in "Investments" in the parent company. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to business segment.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are initially shown at historical cost.

If a portion of the amount paid in a business combination is related to trademarks, the trademarks are recognized in a specific account of intangible assets and measured at the fair value at the acquisition date. Subsequently, the trademarks, which have an indefinite useful life, are stated at cost less accumulated impairment losses. Trademarks are tested annually for impairment.

Expenditures incurred for the development of a trademark are recognized as expenses.

(c) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the software and bring it to use. These costs are amortized over their estimated useful lives of five years.

Costs associated with maintaining computer software programs are expensed as incurred.

(d) Research and development

Research expenditures are recognized directly in the statement of income when incurred. Development expenditures are recorded in assets when the requirements of CPC 04 are met.

2.12 Property, plant and equipment

Land and buildings comprise mainly plants. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures directly attributable to the acquisition of the items. Historical cost also includes finance costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of income for the year when incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost down to their residual values over their estimated useful lives, as follows:

	Years
Buildings	30-50
Machinery and equipment	26-28
Vehicles	9-10
Furniture and fittings	17-20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income (expenses) - net" in the statement of income.

The assets related to the acquisitions carried out in 2009 and 2010 represent a significant portion of the Company's property, plant and equipment and were valued at the fair value at the acquisition dates; accordingly, also considering the aspects mentioned in item 3.1, the Company elected not to apply the deemed cost method to its assets at the date of the CPC 27/ ICPC 10 opening balance sheet.

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the related invoice.

2.15 Borrowings, promissory notes and debentures

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the settlement value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Compound financial instruments (which comprise financial liability (debt) and equity components) issued by the Company include debentures with subscription warrants that can be converted into share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially measured at fair value. The fair value of the liability portion of a convertible bond is determined using the discounted cash flow method, considering a market interest rate for an equivalent non-convertible bond with similar characteristics (period, value, credit risk). The equity component is recognized initially at the difference between the total amount received by the Company with the issuance of the bond and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Provisions and other liabilities, except for borrowings

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Accordingly, the recognition, measurement and disclosure of the provisions and contingent liabilities take into consideration the criteria defined in CPC 05 and CVM Instruction 489, as well as the contractual guarantees of the acquisitions of companies.

The other liabilities are stated at known or determinable amounts, including, when applicable, the related accrued charges, exchange rate changes and inflation adjustments. Notes payable subject to foreign exchange rates and without interest rates, the "Fomentar" and "Produzir" liabilities and the Tax Recovery Program (New REFIS) are recognized at their present values, pursuant to CVM Resolution 564/08.

2.17 Current and deferred income tax and social contribution

The income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In this case, the taxes are also recognized in comprehensive income or directly in equity.

The current income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax and social contribution are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax and social contribution are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax and social contribution are provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium, if applicable, when the options are exercised.

(b) Profit sharing

The Company recognizes a liability and an expense for profit-sharing based on a formula that takes into consideration the profit attributable to the Company's stockholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, when applicable, are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales between subsidiaries.

The Company recognizes revenue when its amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of products are recognized when the risks and benefits inherent to the products have been substantially transferred to the purchaser, the acceptance provisions have been agreed upon and the purchaser has accepted the products in accordance with the sales contract.

Interest income

Interest income is recognized on the accrual basis, using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time goes by, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, i.e., the original rate of the receivables.

2.21 Leases

Leases of property, plant and equipment in which the Company substantially retains all ownership risks and benefits are classified as finance leases. These finance leases are recorded in the same manner as a financed purchase, recognizing at the beginning of the lease a property, plant and equipment item and a financing liability (lease). Property, plant and equipment acquired through finance leases are depreciated at the rates established in the contracts.

Leases in which a significant portion of the ownership risks and benefits remains with the lessor are classified as operating leases. Operating lease payments (net of all incentives received from the lessor) are charged to results of operations on the straight-line basis over the term of the lease.

2.22 Earnings per share

The Company calculates earnings per share using the weighted average number of total common shares outstanding during the period corresponding to the profit or loss, pursuant to technical pronouncement CPC 41 (IAS 33).

2.23 Payment of dividends

Dividends paid to the Company's stockholders are recognized as a liability in the Company's financial information at the end of the year, pursuant to the Company's bylaws. Any amount that differs from the mandatory minimum dividend is only accounted for on the date of its approval by the stockholders at a General Meeting.

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting judgments

Useful life of property, plant and equipment

The review of useful lives carried out during the year ended December 31, 2010, based on reports issued by independent external experts, had no material impacts on the depreciation recorded in 2010.

Compound financial instrument

During the year ended December 31, 2010, the Company carried out a transaction involving debentures with a subscription warrant, convertible into fixed numbers of common shares (18,656,650 shares). Considering the characteristics of compound financial instruments, pursuant to the guidance provided by CPC 39 ("Financial Instruments - Presentation"), the Company used as an assumption the interest rates applicable to securities which do not have a conversion option to calculate the fair value of the equity component of the aforementioned instrument, as described in Note 19 (d).

3.2 Critical accounting estimates and assumptions

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next periods are addressed below.

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

(b) Allocation of fair value in business combinations

On the dates of business combinations, the Company evaluates identifiable assets and liabilities, pursuant to CPC 15 ("Business combinations") and identifies the items for which it finds it necessary to involve external independent experts, who will provide support for the Company in the calculation of the fair value of these items (Refer to Note 17 for comments).

(c) Realization of deferred taxes

The realization of deferred income tax credits (Note 20) is evaluated based on technical studies approved by the Board of Directors which take into consideration the budget planned for a five-year period (plus a five-year projection), pursuant to CVM Instruction 371/2002.

(d) Fair values of derivatives and stock options

The fair value estimates of derivative instruments and stock options are based on models generally accepted in the market, as disclosed in Note 27 c (Stock options) and Note 4 (f) (Derivatives). Such models have been consistently applied throughout the periods presented.

4 Financial Risk Management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company follows a risk management policy, which provides guidance on transactions and requires the diversification of transactions and counterparties. Pursuant to this policy, the nature of and the overall exposure to financial risks is regularly monitored and managed to assess results and the financial impact on cash flow. Credit limits and the quality of hedge counterparties are also periodically reviewed.

The Company's risk management policy was established by the Board of Directors. According to this policy, market risks are hedged when it is considered necessary to support the corporate strategy or maintain the level of financial flexibility. The Finance Director's area analyzes and revises information related to risk management, adding new significant policies, procedures and practices to be applied in risk management.

Pursuant to terms of the risk management policy, the Company manages some of the risks by using derivative instruments, and speculative negotiations and short sales are prohibited.

(a) Foreign exchange risk

This risk arises from the possibility that the Company may incur losses due to exchange rate fluctuations that would increase the liability for funds raised in the market.

At June 30, 2011 and December 31, 2010, the assets and liabilities denominated in foreign currency and the financial instruments that mitigate foreign exchange risks are as follows:

	June 30, 2011		December 31, 2010	
	US$ thousand	R$ thousand	US$ thousand	R$ thousand
Assets				
Trade receivables	(545)	(850)	(73)	(122)
Liabilities				
Trade payables	21,589	33,703	9,192	15,316
Borrowings	796,697	1,243,724	65,761	109,571
Notes payable	249,259	389,118	265,759	442,807
Derivative instruments that mitigate risks	(366,864)	(572,711)	(175,926)	(293,127)
Net exposure	700,136	1,092,984	164,713	274,445

The "Borrowings" and "Notes payable" explanatory notes present the maturities of the transactions and future commitments listed above, indicating the respective terms for the financial impacts of possible foreign exchange risks.

(b) Risk of volatility in share prices

At June 30, 2011, the Company had investments in shares amounting to R$ 13,931. However, such investments are not subject to the risk of changes in the prices of the shares, since they are linked to the Company's liability referring to the acquisition of the NY Looks brands (Note 23 - Notes payable).

(c) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from financial investments, notes payable and short-term and long-term borrowings. Borrowings at floating rates expose the Company to interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk.

The Company analyzes its interest rate exposure on a dynamic basis and seeks to use diversified indexes for its financial liabilities. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on those scenarios, the Company determines a reasonable change in the interest rate and calculates its impact on profit or loss. For each simulation, the same interest rate change is used for all currencies. Scenarios are prepared only for the liabilities representing the main interest-bearing positions.

Below is the Company's exposure to the interest rate risk of transactions linked to the variation of the Interbank Deposit Certificate (CDI), Long-term Interest Rate (TJLP) and Referential Rate (TR):

	Parent	Consolidated
Borrowings	1,914,772	1,931,430
Notes payable	641,371	641,371
Financial Investments	(2,685,651)	(2,730,362)
Net exposure	(129,508)	(157,561)

Based on the current monetary policy which prioritizes the economic stability, the Company does not expect an increase higher than 25% in variable interest rates to which the Company is exposed, which would represent approximately 3.1 p.p. in SELIC rate. In accordance with the sensitivity analysis concerning the increase in interest rates, considering as the most probable scenario an increase similar to that in the second quarter of 2011, when CDI raised 0.5p.p, the Company could have an impact on its finance costs of approximately R$ (2,228). For stressed scenarios of 25% and 50%, the impact would amount to (R$ 13,808) and (R$ 26,503).

Also, the Company from time to time enters into fixed to variable interest rate swap transactions to hedge against fair value interest rate risk. As of June 30, 2011, the Company had interest rate swap transactions with a notional value of R$ 20,425, in which the Company has an asset position in a fixed rate and a liability position in a floating rate.

(d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and repurchase transactions.

For banks and financial institutions, the Company adopts the policy of diversifying its financial investments among prime financial institutions with the rating classification described in Note 8 (Quality of the credit of financial assets).

(e) Liquidity risk

The Company believes that the cash flows from operating activities, cash and cash equivalents and available borrowing facilities are sufficient to fund its future financial commitments and dividend payments.

The table below analyzes the Company's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity

date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

					Consolidated June 30, 2011
	Less than one year	From one to two years	From two to five years	Over 5 years	Total
Debentures	260,085	515,146	2,737,912	428,197	3,941,340
Borrowings	498,503	297,113	406,344	1,569,215	2,771,175
Notes payable	725,071	208,411	388,723	2,890	1,325,095
Trade payables	199,525				199,525
Other payables		77,450			77,450
Derivative financial instruments	29,850	2,142	383		32,375
	1,713,034	1,100,262	3,533,362	2,000,302	8,346,960

					Consolidated December 31, 2010
	Less than one year	From one to two years	From two to five years	Over 5 years	Total
Debentures	220,411	905,650	1,931,483	209,448	3,266,992
Borrowings	412,905	360,675	141,021	1,861	916,462
Notes payable	692,528	588,657	233,163		1,514,348
Trade payables	184,179				184,179
Other payables		33,945			33.945
Derivative financial instruments	21,157	9,654			30,811
	1,531,180	1,898,581	2,305,667	211,309	5,946,737

(f) Derivatives

At June 30, 2010, the Company had derivative financial instruments such as currency forwards (US dollar vs. Brazilian real) and other outstanding positions in derivative instruments.
These transactions, performed to hedge fluctuations in short-term liabilities denominated in foreign currencies and related to the "Borrowings" and "Notes payable" captions, are not used for speculative purposes and are financial instruments highly correlated with the liabilities to which they are related (see sensitivity analysis below).

At June 30, 2011, the transactions with foreign exchange derivative instruments entered into by the Company amounted to US$ 572,711 (Dec. 2010 - R$ 293,128), and the results of unsettled transactions were losses in the amount of R$ 30,065 (Dec.2010, losses of R$ 28,559). At June 30, 2011, interest rate derivative transactions entered into by the Company amounted to R$ 18,921 (Dec. 2010, R$ 26,146), and the results of unsettled transactions represented gains of R$ 202 (Dec. 2010, gains of R$ 343).

The adjustments to fair value are recorded under the captions corresponding to each transaction, that is, "Borrowings" (Note 19) and "Notes payable" (Note 23). At June 30, 2011, and December 31, 2010, these transactions can be summarized as follows:

Type	Counterparties	Notional value		Fair value		Receivables/payables		Realized gains/losses		Unrealized gains/losses	
(in R$ thousands)		Jun/11	Dec/10	Jun/11	Dec/10	Jun/11	Dec/10	Jun/11	Dec/10	Jun/11	Dec/10
Foreign currency											
Forward contracts		**523,113**	**190,722**	**512,330**	**175,273**	**(10,784)**	**(15,449)**	**(29,863)**	**(1,545)**	**(10,784)**	**(15,449)**
Purchased position	Bradesco, Merrill Lynch, DB, HSBC, JP, Santander	523,113	190,722	512,330	175,273	(10,784)	(15,449)	(29,863)	(1,545)	(10,784)	(15,449)
Sold position											
Swap contracts		**79,662**	**130,965**	**60,381**	**117,855**	**(19,281)**	**(13,110)**	**(2,210)**	**(76)**	**(19,281)**	**(13,110)**
Purchased position	Safra	79,662	130,965	60,381	117,855	(19,281)	(13,110)	(2,210)	(76)	(19,281)	(13,110)
Sold position											
Interest rate											
Swap contracts		**20,425**	**28,855**	**18,921**	**26,146**	**202**	**343**	**78**	**45**	**202**	**343**
Asset position - Fixed rate		20,425	28,855	18,921	26,146						
Liability position - Floating rate	BTG Pactual	(20,425)	(28,855)	(18,719)	(25,803)	202	343	78	45	202	343
Total		**623,200**	**350,542**	**591,632**	**319,274**	**(29,863)**	**(28,216)**	**(31,995)**	**(1,576)**	**(29,863)**	**(28,216)**

The contracts listed above fall due as follows:

Maturity	Notional value			
Foreign currency -USD	**Jun/11**	**Rate**	**Dec/10**	**Rate**
01/04/2011			24,653	1,761
03/02/2011			580	2,028
04/07/2011				
05/31/2011			551	2,071
06/01/2011			182,608	1,892
08/01/2011	8,114	1,774	8,114	1,774
08/29/2011	16,642	2,119	16,642	2,119
10/19/2011	39,683	1,628		
11/30/2011	25,489	1,702		
01/19/2012	66,840	1,671		
02/07/2012	63,020	2,146	63,020	2,146
04/19/2012	41,594	1,706		
06/01/2012	167,076	1,731		
07/30/2012	7,987	1,747		
12/03/2012	26,705	1,801		
01/21/2013	72,704	1,818		
07/30/2013	8,571	1,874		
12/02/2013	28,267	1,925		
12/01/2014	30,084	2,069		
Total	**602,776**	**1,811**	**296,168**	**1,938**
Foreign currency - JPY				
08/03/2011			25,519	0,02244
Total JPY			**25,519**	**0,02244**
TOTAL			**321,687**	

Interest rate	Jun/11	Liability rate CDI+	Dec/10	Liability rate CDI+
01/17/2011			1,457	1.25%
02/15/2011			1,412	1.25%
03/15/2011			1,393	1.25%
04/15/2011			1,404	1.25%
05/16/2011			1,392	1.25%
06/15/2011			1,373	1.25%
07/15/2011	1,362	1.25%	1,362	1.25%
08/15/2011	1,356	1.25%	1,356	1.25%
09/15/2011	1,344	1.25%	1,344	1.25%
10/17/2011	1,337	1.25%	1,337	1.25%
11/16/2011	1,315	1.25%	1,315	1.25%
12/15/2011	1,299	1.25%	1,299	1.25%
01/16/2012	1,300	1.25%	1,300	1.25%
02/15/2012	1,281	1.25%	1,281	1.25%
03/15/2012	1,266	1.25%	1,266	1.25%
04/16/2012	1,263	1.25%	1,263	1.25%
05/15/2012	1,243	1.25%	1,243	1.25%
06/15/2012	1,236	1.25%	1,236	1.25%
07/16/2012	1,224	1.25%	1,224	1.25%
08/15/2012	1,211	1.25%	1,211	1.25%
09/17/2012	1,202	1.25%	1,202	1.25%
10/15/2012	1,187	1.25%	1,187	1.25%
Total	**20,426**		**28,857**	

(g) Derivative fair value calculation method

. Forward currency contracts are valued by using an interpolation of the market rates of US dollar futures contracts for each reporting date, as informed by the Brazilian Futures and Commodities Exchange (BM&F).

. Swaps - are valued by using an interpolation of the market rates of foreign exchange coupons and future interbank deposit (DI) for each reporting date, as informed by BM&F.

(h) Additional sensitivity analysis required by CVM

The table below presents the sensitivity analysis of the financial instruments, including derivatives, describing risks that may result in material losses for the Company. It comprises the most probable scenario (scenario I, with a fluctuation of approximately 3.71% for the US dollar, taking into consideration 3 standard deviations in the fluctuation of these currencies during the second quarter) according to an evaluation carried out by management, considering a three-month period, when the next financial information containing this analysis should be disclosed. In addition, in accordance with CVM Instruction 475/08, two other scenarios (II and III) are presented, which contemplate deterioration of 25% and 50%, respectively, in the exchange rate of the Real against the US dollar.

Risk	**Scenario I**		**Scenario II**		**Scenario III**	
(in thousands of reais)			**25% fluctuation**		**50% fluctuation**	
	Appreciation	Devaluation	Appreciation	Devaluation	Appreciation	Devaluation
US dollar exchange rate	1,503	1,619	1,171	1,951	0,781	2,342
Foreign currency						
Hedge	**(51,323)**	**(8,806)**	**(173,242)**	**113,113**	**(316,420)**	**256,291**
Forward contracts	(29,801)	8,234	(138,866)	117,299	(266,948)	245,381
Swap	(21,522)	(17,040)	(34,376)	(4,186)	(49,472)	10,910
Hedged transactions	**85,320**	**45,984**	**198,115**	**(66,811)**	**330,578**	**(199,274)**
Short-term borrowings and notes payable subject to exchange variation	85,320	45,984	198,115	(66,811)	330,578	(199,274)
Net effect	**33,997**	**37,178**	**24,873**	**46,302**	**14,158**	**57,017**
Other liabilities	**61,831**	**(26,188)**	**314,227**	**(278,584)**	**610,633**	**(574,990)**
Other borrowings and notes payable subject to exchange variation	61,831	(26,188)	314,227	(278,584)	610,633	(574,990)

The sensitivity analysis presented above considers changes relating to the US dollar and Japanese yen exchange rate, with all variables associated with other risks held constant.

5 Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may revise the policy for payment of dividends, return capital to stockholders, issue new shares, or sell assets to reduce, for example, the indebtedness level.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings and notes payable" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

At June 30, 2011 and December 31, 2010, the gearing ratios can be summarized as follows:

	Consolidated	
	6/30/2011	**12/31/2010**
Total borrowings (Note 19)	4,494,747	2,950,299
Total notes payable (Note 23)	1,108,592	1,220,205
Less: cash and cash equivalents (Note 9)	(2,756,403)	(2,409,503)
Net debt	2,846,936	1,761,001
Total equity	6,784,008	5,059,091
Total capital	9,630,944	6,820,092
Gearing ratio - %	30	26

6 Fair Value Estimation

The carrying values, net of the impairment provision, of trade receivables and payables are assumed to approximate their fair values. . The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments (Note 19).

The Company adopted CPC 40/IFRS 7 for financial instruments that are measured at fair value in the balance sheet; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at June 30, 2011:

				Consolidated
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss		2,730,362		2,730,362
Total assets		2,730,362		2,730,362
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives		29,863		29,863
Total liabilities		29,863		29,863

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2010.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss		2,393,428		2,393,428
Total assets		2,393,428		2,393,428
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives		28,216		28,216
Total liabilities		28,216		28,216

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

7 Financial Instruments by Category

	Consolidated		
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
June 30, 2011			
Assets as per balance sheet			
Trade receivables	1,015,589		1,015,589
Financial assets at fair value through profit or loss			
Cash and cash equivalents	2,756,403		2,756,403
	3,771,992		3,771,992

	Consolidated		
	Liabilities at fair value through profit or loss	**Other financial liabilities**	**Total**
June 30, 2011			
Liabilities as per balance sheet			
Borrowings		4,491,308	4,491,308
Finance lease liabilities		3,440	3,440
Derivative financial instruments (Note 4(f))	29,863		29,863
Trade payables		199,525	199,525
	29,863	4,694,273	4,724,136

	Consolidated		
	Loans and receivables	Assets at fair value through profit or loss	Total
December 31, 2010			
Assets as per balance sheet			
Trade receivables	1,130,662		1,130,662
Financial assets at fair value through profit or loss		2,393,428	2,393,428
Cash and cash equivalents	17,075		17,075
	1,147,737	**2,393,428**	**3,541,165**

	Consolidated		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
December 31, 2010			
Liabilities as per balance sheet			
Borrowings		2,941,780	2,941,780
Finance lease liabilities		8,519	8,519
Derivative financial instruments (Note 4(f))	28,216		28,216
Trade payables		184,179	184,179
	28,216	**3,134,478**	**3,162,694**

8 Credit Quality of Financial Assets

Credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Cash at bank and short-term bank deposits (*)				
AAA	2,391,344	1,797,657	2,432,638	1,810,394
AA+	314,645	586,119	319,984	597,121
AA-				
A	267	256	267	256
A-	1		1	88
BBB+	3,358	1,497	3,358	1,497
	2,709,615	2,385,529	2,756,248	2,409,356

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Derivative financial assets				
AAA				
AA+				
AA	202	343	202	343
	202	343	202	343

None of the financial assets that are fully performing has been renegotiated in the last year. None of the loans to related parties is past due or impaired.

Trade receivables - The credit analysis area appraises a customer's credit quality by taking into account its financial position, payment history, public information and information from credit analysis entities (Serasa, CISP and Credinfar). Individual risk limits are determined based on ongoing internal monitoring.

9 Cash and Cash Equivalents

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Cash at bank and on hand	24,108	10,435	26,041	17,075
Financial investments:				
Repurchase transactions	2,159,190	1,542,803	2,202,162	1,545,664
Fixed income fund				
CDBs	526,432	832,964	528,063	845,705
Other	29	244	137	1,059
	2,685,651	2,376,011	2,730,362	2,392,428
	2,709,759	2,386,446	2,756,403	2,409,503

Repurchase transactions yield from 100.5% to 104.1% of the variation of the Interbank Deposit Certificate (CDI) rate (with a weighted average of 102.11%). Bank Deposit Certificates (CDBs) yield between 99% and 109% of the CDI variation (with a weighted average of 101.35%).

10 Trade Receivables

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Local customers	966,890	1,028,327	1,044,373	1,151,616
Foreign customers	850	122	850	122
Customers - related parties	288	83		
	968,028	1,028,532	1,045,223	1,151,738
Provision for impairment of trade receivables	(28,550)	(18,759)	(29,634)	(21,076)
	939,478	1,009,773	1,015,589	1,130,662

The fair values of trade receivables approximate the carrying amounts above, as all these amounts are realizable in the short term.

At June 30, 2011, consolidated trade receivables of R$ 99,799 (December 31, 2010 - R$74,259) are past due, but not impaired. These receivables refer to a series of customers with no recent history of default. At June 30, 2011, in the parent company, trade receivables amounting to R$ 91,930 (December 31, 2010 - R$52,881) are past due, but not impaired. These receivables are also from customers for which there is no history of default. The ageing of these receivables is as follows:

	Parent		Consolidated	
	June 30, 2011	**December 31, 2010**	**June 30, 2011**	**December 31, 2010**
Up to 3 months	84,357	44,932	89,810	64,050
3-6 months	7,573	7,949	9,989	10,209
	91,930	52,881	99,799	74,259

As of June 30, 2011, consolidated trade receivables of R$ 29,633 (December 31, 2010 - R$ 21,076) were impaired and provided for. The individually impaired receivables mainly relate to certain customers, which, considering the delay in payment and other specific aspects, present a high probability of not settling their obligations. Based on an evaluation, a portion of the trade receivables should be recovered. The ageing of these receivables is as follows:

	Parent		Consolidated	
	June 30, 2011	**December 31, 2010**	**June 30, 2011**	**December 31, 2010**
3-6 months	9,882	2,808	10,005	2,808
Later than 6 months	18,667	15,951	19,628	18,268
	28,549	18,759	29,633	21,076

The additions to and release of the provision for impaired receivables have been included in "Selling and marketing expenses" in the statement of income. Amounts included in the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company pledged certain trade notes receivables as collateral, as mentioned in Note 19(a).

11 Inventories

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Finished products and goods for resale	362,551	210,389	435,377	249,367
Semi-finished products	28,767	42,234	57,312	51,176
Raw materials	82,514	53,147	260,500	167,530
Maintenance material and supplies	14,979	10,245	28,343	18,433
Provision for losses on inventories	(16,298)	(9,905)	(33,053)	(20,809)
	472,513	306,110	748,479	465,697

12 Taxes Recoverable

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Federal taxes (Pis/Cofins/IPI/other)	229,388	207,603	268,298	223,417
ICMS (credit balance and substitute tax system)	210,545	139,089	250,763	152,580
IRPJ and CSLL recoverable	21,208	3,108	32,056	4,354
	461,141	349,800	551,117	380,351
Current	367,826	322,346	437,345	346,517
Non-current	93,315	27,454	113,772	33,834

13 Non-current Assets Held for Sale

	Consolidated	
	June 30, 2011	December 31, 2010
Property, plant and equipment	3,290	4,590
Investments	18,597	
	21,887	4,590

(a) Property, plant and equipment

These substantially relate to properties originating from acquisitions of companies, whose use was discontinued due to changes in operating location.

Such assets are stated at the lower of book value and fair value less selling expenses.

The proceedings from property, plant and equipment disposals for the six-month period totaled R$ 100, or R$ 66 net of income tax and social contribution.

(b) Investments

These refer to the subsidiary of the company Mabesa.

14 Investments in Subsidiaries

The investments in subsidiaries held by the Company are as follows:

Name	Country	Line of business	Direct interest in equity units
Cosmed Indústria de Cosméticos S.A.	Brazil	Personal hygiene	100%
My Agência de Propaganda Ltda	Brazil	Advertising agency	100%
IPH&C Indústria de Produtos de Higiene e Cosméticos Ltda	Brazil	Personal hygiene	100%
Mantecorp Indústria Química Farmacêutica S.A.	Brazil	Pharmaceutical	100%
Mabesa do Brasil S.A.	Brazil	Personal hygiene	100%

(a) Changes in investments (parent only)

	Versoix (*)		Facilit (*)		Sapeka (*)		York (*)		DPH Maripa (*)		Luper (**)		
	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Total
Balances at December 31, 2010	25,735	155,266	33,213	47,229	218,350	406,793	33,220	64,416			32,841	44,052	1,061,115
Write-off due to merger	(2,627)		(21,811)		(102,011)		(7,821)				(39,613)		(173,883)
Reclassification fair value	(23,108)	(5,207)	(11,402)	(8,218)	(116,339)	8,452	(25,399)	(6,466)		28,267	7,457	(7,457)	(159,420)
Other						(2,153)		(949)			(685)		(3,787)
Balances at June 30, 2011		150,059		39,011		413,092		57,001		28,267		36,595	724,025

(*) The aforementioned companies were merged in January 2011; accordingly, the goodwill was reclassified to intangible assets.
(**) The aforementioned company was merged in April 2011; accordingly, the goodwill was reclassified to intangible assets.

	Cosmed		My		Luper		IPH&C		Mabesa		Mantecorp		Brainfarma		
	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Total
Balances at December 31, 2010	161,304	48,085	651		32,841	44,052	20,264	57,192							364,389
Dividends received	34,833														34,833
Capital payment/ acquisition	5,796								(32,997)	423,105	(14,497)	2,331,299	288,271		3,000,977
Share of profit/(loss) of subsidiaries	(11,435)		(226)		(685)		(775)		19,820	(13,384)	52,983	(15,705)	3,320		33,913
Stock Option	390														390
Write-off due to merger					(39,613)	(36,595)	(5,904)								(82,112)
Reclassification fair value					7,457	(7,457)	(6,277)	(41,189)	81,637	(81,637)	282,272	(419,931)			(185,125)
Other	16,916								1,417	(6,578)	63,078	(126,018)			(51,185)
Balances at June 30, 2011	207,804	48,085	425				7,308	16,003	69,877	321,506	383,836	1,769,645	291,591		3,116,080

The Company's share of the results of its main direct subsidiaries, all of which are unlisted, and the aggregated assets (including goodwill) and liabilities as well as statement of income items, are as follows:

June 30, 2011	Assets	Liabilities	Revenue	Profit (loss)
Cosmed Indústria de Cosméticos S.A.	374,348	(159,784)	536,431	(11,835)
My Agência de Propaganda Ltda	889	(464)	900	(227)
Mantecorp Indústria Química Farmacêutica S.A	362,673	(147,719)	513,661	41,669
Mabesa do Brasil S.A	179,469	(175,854)	117,755	20,126
Brainfarma Indústria e Farmacêutica Ltda	470,502	(177,881)	115,867	4,784
IPH&C Indústria de Produtos de Higiene e Cosméticos Ltda	10,719	(6,770)	16,478	(783)

December 31, 2010	Assets	Liabilities	Revenue	Profit (loss)
Cosmed Indústria de Cosméticos S.A.	380,884	(212,420)	1,042,157	18,705
My Agência de Propaganda Ltda	927	(275)	1,800	468
Versoix Participações Ltda	2,831	(3)		(165)
Luper Indústria Farmacêutica Ltda	33,577	(21,213)	30,429	397
Facilit Odontológica e Perfumaria Ltda	33,041	(10,308)	52,361	2,697
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A.	203,514	(98,242)	276,204	34,508
York S.A	29,257	(20,532)	26,061	3,181
Bitufo	21,213	(10,094)	12,445	1,275

(b) Share of profit/(loss) of subsidiaries

	Adjusted equity at June 30, 2011	Interest %	Accumulated share of profit/(loss) at June 30, 2011	Investment balance at June 30, 2011	Accumulated share of profit/(loss) at June 30, 2010	Investment balance at December 31, 2010
Cosmed Indústria de Cosméticos e Medicamentos S.A. (i)	207,804	100%	(11,435)	207,804	10,334	161,304
My Agência de Propaganda Ltda. (ii)	425	100%	(226)	425	247	651
Versoix Participações Ltda.(iii)		100%			(145)	25,735
Luper Indústria Farmacêutica Ltda.(iv)		100%	(685)		1,055	32,841
Facilit Odontológica e Perfumaria Ltda.(v)		100%			459	33,213
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A (vi)		100%			5,994	218,350
York S.A Indústria e Comércio (vii)		100%				33,220
IPH&C Indústria de Produtos de Higiene e Cosméticos Ltda (viii)	7,308	100%	(775)	7,308		20,264
Mabesa do Brasil S.A (ix)	69,877	100%	6,436	69,877		
Mantecorp Indústria (x) Química Farmacêutica S.A	383,836	100%	37,278	383,836		
Brainfarma Indústria e Farmacêutica Ltda (xi)	291,591	100%	3,320	291,591		
			33,913	960,841	17,944	525,578

(i) Hypermarcas holds 283,566,489 common shares of its subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A.

(ii) Hypermarcas holds 9,999 equity units of its subsidiary My Agência de Propaganda Ltda. out of a total of 10,000 equity units.

(iii) The subsidiary Versoix Participações Ltda was merged in January 2011.

(iv) The subsidiary Luper Indústria Farmacêutica Ltda was merged in April 2011.

(v) The subsidiary Facilit Odontológica e Perfumaria Ltda was merged in January 2011.

(vi) The subsidiary Sapeka Indústria e Comércio de Fraldas Descartáveis S.A was merged in January 2011.

(vii) The subsidiary York S.A Indústria e Comércio was merged in January 2011.

(viii) Hypermarcas holds 100% of the company IPH&C Indústria de Produtos de Higiene e Cosméticos Ltda (5,110,000 equity units).

(ix) Hypermarcas is the holder of 201,727,040 common shares of its subsidiary Mabesa do Brasil S.A.

(x) Hypermarcas is the holder of 22,786,804 common shares of its subsidiary Mantecorp Indústria Química Farmacêutica S.A and Mantecorp Logística S.A (105,043,143 shares, was merged in February 2011)

(xi) Hypermarcas is the holder of 99,855,046 equity units of its subsidiary Brainfarma Indústria e Farmacêutica Ltda.

15 Property, Plant and Equipment

Parent

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Tools, containers and other	Total in use	Construction in progress	Total PP&E
Balances at December 31, 2010	3,369	117,957	170,256	909	8,501	7,622	308,614	61,576	370,190
Spin-off	(1,809)	(100,075)	(126,004)	(868)	(5,277)	(2,808)	(236,841)	(82,563)	(319,404)
Additions through merger	48,987	100,111	156,352	6,158	2,240	850	314,698	16,980	331,678
Additions	4,089	377	21,113		4,035	6,022	35,636	43,203	78,839
Held for sale	1,300						1,300		1,300
Disposals	(1,300)		(1,524)	(549)	(31)	(42)	(3,446)		(3,446)
Transfers		743	2,346	230	3	(1)	3,321	(3,321)	
Depreciation/ amortization		(2,568)	(8,232)	(669)	(448)	(878)	(12,795)		(12,795)
Balances at June 30, 2011	54,636	116,545	214,307	5,211	9,023	10,765	410,487	35,875	446,362
Total cost	54,636	140,722	347,500	9,966	12,993	21,526	587,343	35,875	623,218
Accumulated depreciation		(24,177)	(133,193)	(4,755)	(3,970)	(10,761)	(176,856)		(176,856)
Net book amount	54,636	116,545	214,307	5,211	9,023	10,765	410,487	35,875	446,362

Consolidated

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Tools, container and other	Leases	Total in use	Construction in progress	Total PP&E
Balances at December 31, 2010	11,085	214,694	388,594	6,673	13,946	14,515	10,177	659,684	80,001	739,685
Spin-off			(25,378)		(251)	(1)		(25,630)		(25,630)
Additions through merger	41,401	10,287	18,322	627	737	94		71,468	(5)	71,463
Additions through acquisition of companies	6,230	17,343	49,654	3,815	2,737	42		79,821	2,253	82,074
Additions	29,054	85,921	219,477	889	12,213	7,873		355,427	57,817	413,244
Held for sale	1,300							1,300		1,300
Disposals	(1,300)	(20)	(4,475)	(3,991)	(168)	(127)		(10,081)		(10,081)
Transfers		725	3,151	230	12		(3,060)	1,058	(1,053)	5
Depreciation/ amortization		(7,029)	(19,313)	(841)	(1,208)	(1,419)		(29,810)		(29,810)
Balances at June 30, 2011	87,770	321,921	630,032	7,402	28,018	20,977	7,117	1,103,237	139,013	1,242,250
Total cost	87,770	411,906	1,054,211	14,248	47,193	41,715	7,117	1,664,160	139,013	1,803,173
Accumulated depreciation		(89,985)	(424,179)	(6,846)	(19,175)	(20,738)		(560,923)		(560,923)
Net book amount	87,770	321,921	630,032	7,402	28,018	20,977	7,117	1,103,237	139,013	1,242,250

16 Intangible Assets

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Goodwill on non-merged companies				
Mantecorp Indústria Química Farmacêutica S.A			1,769,645	
Mabesa do Brasil S.A			321,506	
IPH&C Indústria de Produtos de Higiene e Cosméticos Ltda			16,003	57,192
Luper Indústria Farmacêutica Ltda.				44,052
Cosmed Indústria de Cosméticos e Medicamentos S.A.			48,085	48,085
Goodwill on acquisition of investments in merged companies				
Laboratório Neo Química Comércio e Indústria S.A	1,011,270	1,011,270	1,011,270	1,011,269
DM Indústria Farmacêutica Ltda.	743,029	743,029	743,028	743,029
Laboratório Americano de Farmacoterapia S.A. Farmasa	666,808	666,808	666,808	666,808
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A	413,093		413,092	406,793
Pom Pom Produtos Higiênicos Ltda.	269,263	269,263	269,263	269,263
Aprov Comércio de Cosméticos Ltda.	275,535	275,535	275,535	275,535
Versoix Participações Ltda	150,059		150,059	155,266
Inal - Indústria Nacional do Látex S.A.	156,260	156,260	156,260	156,260
Ceil Comércio e Distribuidora Ltda.	148,887	148,887	148,887	148,887
York S.A Indústria e Comércio Ltda	57,001		57,001	64,416
Facilit Odontológica e Perfumaria Ltda	39,011		39,011	47,229
DPH Distribuidora de produtos de Higiene Ltda	28,267		28,267	
Luper Indústria Farmacêutica Ltda.	36,595		36,595	
Barrenne Indústria Farmacêutica Ltda.	33,955	33,955	33,955	33,955
Sul Química Ltda.	32,053	32,053	32,053	32,053
Etti Produtos Alimentícios Ltda.	18,319	18,319	18,319	18,319
Finn Administradora de Marcas Ltda.	17,857	17,857	17,857	17,857
Éh Cosméticos S.A.	15,860	15,860	15,860	15,860
Quimivale Industrial Ltda. e Distribuidora Clean Ltda.	10,231	10,231	10,231	10,231
	4,123,353	3,399,327	6,278,590	4,222,359
Rights of use	41,855	45,751	48,461	46,590
Trademarks and patents	574,038	274,121	598,067	333,033
Software	11,681	13,340	12,570	13,267
Research and development of products	417	24,140	35,606	24,192
	4,751,344	3,756,679	6,973,294	4,639,441

Goodwill is based mainly on expected future profitability, supported by appraisal reports prepared by a specialized company, using the cash flow discounted to present value method. The discount rates used in the calculations were based on the Weighted Average Cost of Capital (WACC). For acquisitions carried out as from 2009, portions of the initial goodwill were allocated to certain assets acquired in the transactions (inventories, property, plant and equipment and trademarks).

Investments

Concerning the acquisitions of "Mabesa" and "Mantecorp" during the current six-month period, the Company is under the measurement period, as defined in CPC 15, "Business Combination", which cannot exceed one year after the acquisition date, in which the acquirer may adjust the temporary amounts recognized during the measurement of identifiable assets acquired and liabilities assumed at the corresponding fair values on the acquisition date. Goodwill arising from these acquisitions is recorded in Intangible assets (consolidated).

Trademarks

In March 2011, the medicine trademarks Digedral, Peridal and Lopigrel, prescribed by Medley, was acquired for R$ 84,000.

Other intangible assets

In June 2011 the rights to exclusive distribution of biotechnological medicines were sold to Amgen Inc. and its Brazilian subsidiary Amgen Brasil Biofarmacêutica Ltda. ("Amgen"), which already held these rights and whose registration had been filed by Mantecorp, for R$ 35,000.

The Company will continue importing Amgen products and selling them in Brazil, receiving a commission from Amgen.

Changes in the balances

Parent

	Rights of use	Trademarks and patents	System implementation	Product development	Goodwill	Total
Balances at December 31, 2010	45,751	274,121	13,340	24,140	3,399,327	3,756,679
Spin-off	(1,532)	(23)	(812)	(27,661)		(30,028)
Additions through merger	2,164	66,063	(73)	52		68,206
Additions	3,978	188,650	912	4,307	(3,100)	194,747
Transfers		45,227			727,126	772,353
Amortization	(8,506)		(1,686)	(421)		(10,613)
Balances at June 30, 2011	41,855	574,038	11,681	417	4,123,353	4,751,344
Total cost	93,875	574,038	24,786	966	4,123,353	4,817,018
Accumulated amortization	(52,020)		(13,105)	(549)		(65,674)
Net book amount	41,855	574,038	11,681	417	4,123,353	4,751,344

Consolidated

	Rights of use	Trademarks and patents	System implementation	Product development and other	Goodwill	Total
Balances at December 31, 2010	46,590	333,033	13,267	24,192	4,222,359	4,639,441
Acquisition through merger	1,733	7,457	(73)		(70,390)	(61,273)
Acquisition by purchase of company	5,264	2,865	70	5,384		13,583
Additions	4,925	209,485	991	6,918	2,246,963	2,469,282
Disposals	17			(187)	(4,516)	(4,686)
Transfers	(200)	45,227		195	(115,826)	(70,604)
Amortization	(9,868)		(1,685)	(896)		(12,449)
Balances at June 30, 2011	48,461	598,067	12,570	35,606	6,278,590	6,973,294
Total cost	119,893	598,067	25,748	43,497	6,278,590	7,065,795
Accumulated amortization	(71,432)		(13,178)	(7,891)		(92,501)
Net book amount	48,461	598,067	12,570	35,606	6,278,590	6,973,294

Impairment of assets

The Company annually tests the recoverable amount of its intangible assets with an indefinite useful life, which mainly comprise the goodwill based on expected profitability and trademarks arising from business combination processes.

For long-lived non-financial assets, which are not subject to amortization, an impairment test is performed whenever there is an indication that the carrying amount of the assets may not be recoverable.

17 Business Combinations

The Company uses the acquisition method to account for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date. Costs directly attributable to the acquisition are accounted for as expenses as incurred. When acquiring a business, the Company values the assets acquired and the liabilities assumed in order to classify them and allocate them pursuant to the terms of the agreements, economic circumstances and the conditions prevailing at the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred over the fair value of the net assets acquired (identified assets and liabilities assumed).

In years prior to 2011, the Company carried out the following business combination transactions:

- Mabesa - In January 2011, the Company acquired Mabesa do Brasil Participações Ltda and its subsidiaries, which manufacture and sell disposable diapers, sanitary pads and wet wipes, among other products, which are sold under the brands Cremer-Disney, Plim Plim, Puppet and Affective, for US$ 346,903.

- Mantecorp - In January 2011, the Company acquired all shares of Mantecorp for R$ 2,492,346, of which R$ 592,346, that correspond to, 23.77% of Mantecorp's voting capital, was paid in cash and the remaining was paid through the issue of 78,013,947 new shares of Hypermarcas S/A. The business comprises the manufacture and sale of medicines. In February 2011, Mantecorp Indústria Química e Farmacêutica S.A. was partially spun off, in relation to the portion of investments in Brainfarma Industria Química e Farmacêutica S.A and Mantecorp Logística, Distribuição e Comércio S.A., with the subsequent merger of these net assets into Hypermarcas. Concurrently, Hypermarcas S/A also merged Mantecorp Logística, Distribuição e Comércio S.A.

The table below shows the movements in 2011:

Company	Acquisition date	Net consideration	Investee's equity on acquisition	Additional allocations	Accounting goodwill	Acquisition expenses (*)
Mabesa	Jan/11	346,903	54,556	(79,952)	321,506	7,163
Mantecorp	Jan/11	2,237,661	(226,129)	(241,888)	1,769,645	21,806
Total		2,584,564	(171,573)	(321,840)	2,091,151	28,969

(*) Refer to legal and advisory services, among other expenses, incurred in connection the acquisitions and directly recorded in profit or loss for the period.

The following main allocations were made.

Breakdown of additional allocations

Company	Contingencies and provisions (*)	Tax credit	Inventories	Property, plant and equipment	Intangible assets	Total
Mabesa	27,789	(28,459)	(1,554)	(56,893)	(20,835)	(79,952)
Mantecorp	295,749	(105,366)	(32,313)	(270,326)	(129,632)	(241,888)
Total	323,538	(133,825)	(33,867)	(327,219)	(150,467)	(321,840)

(*) Amounts at the business combination date

18 Trade Payables

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Domestic suppliers	65,889	40,735	165,822	138,272
Trade payables - related parties	129,212	83,839		
Foreign suppliers	13,493	15,316	33,703	45,907
	208,594	139,890	199,525	184,179

19 Borrowings

		Parent		Consolidated	
		June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Foreign currency					
Foreign currency	US$ + 3.7% to 5.65% p.a. and Yen + 5.8225% p.a.	62,903	90,760	62,903	112,876
Hedge		20,528	11,449	20,528	12,767
Bonds (vii)	Swap and NDF	1,153,536		1,153,536	
Local currency					
Center-West Financing (FCO) (i)	8.5% p.a.	6,491	31,342	45,103	31,342
Working capital	CDI + 1.15% to 1.55% p.a.; 114% of CDI; TR + 9.93% to 10.98% p.a.; Fixed 11.25% p.a.	455,649	472,197	455,649	474,798
Local-currency financing					
Overdraft					566
Leasing	CDI + 0.08% to 4.7% p.a; Fixed 7% to 22.95% p.a.	3,417	1,069	3,440	8,519
Finame	Fixed 4.5% p.a. and TJLP + 1.3% to 6.5% p.a.	20,973	703	31,594	33,227
Letter of guarantee		2,710	2,469	2,710	2,469
FINEP	TJLP + 6% p.a.			5,126	6,155
BNDES (i)	Fixed 4.5% to 6% p.a. and TJLP + 1.5% to 3% p.a.	44,245	104,762	107,271	119,449
NPR	Fixed 6.75% p.a.	239	3,901	239	3,901
Banco Regional de Brasilia - BRB - PRÓ-DF	2,4265% p.a.	36	36	36	36
Debentures (ii,iii ,iv,v e vi)	IPCA+8.43% p.a.; 111%, 113.70% and 113.72% of CDI and CDI + 1.65% to	2,606,613	2,144,194	2,606,613	2,144,194

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
1.85% p.a.				
	4,377,340	2,862,882	4,494,748	2,950,299
Current	567,119	437,505	600,542	488,646
Non-current	3,810,221	2,425,377	3,894,206	2,461,653

(i) Agreements containing covenants restricting sale, split-off, combination, merger or any corporate restructuring which, if they occur, should be previously authorized by the lenders. If any of these events do occur without approval of the banks, outstanding balances will fall due immediately.

(ii) On January 8, 2010, the Company made the first public issue of two hundred debentures, in a single series, not convertible into shares, with a face value of R$ 1 million each on the issue date. Total finance charges correspond to the internal rate of return of 0.15% per annum plus interest equivalent to 113.72 % of the accumulated variation of the daily average Interbank Deposit (DI) rates for one day "over extra group", expressed as an annual percentage, 252-day basis, calculated and disclosed by CETIP. Interest will be calculated on a pro rata basis from the date of issue up to the date of maturity on January 8, 2013. Transaction costs totaled R$ 894.

Of the outstanding debt balance, R$ 11,711 and R$ 199,843 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	6/30/2011
2011	150
2012	299
2013	6
	455

(iii) On June 4, 2010, the Company made the second public issue of two hundred debentures, in a single series, not convertible into shares with a face value of R$ 1 million each on the issue date. Total finance charges correspond to the internal rate of return of 0.14% per annum plus interest equivalent to 113.70 % of the accumulated variation of the daily average Interbank Deposit (DI) rates for one day "over extra group", expressed as an annual percentage, 252-day basis, calculated and disclosed by CETIP. Interest will be calculated on a pro rata basis from the date of issue up to the date of maturity on February 4, 2013. Transaction costs totaled R$ 745.

Of the outstanding debt balance, R$ 1,476 and R$ 199,832 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	6/30/2011
2011	141
2012	280
2013	26
	447

(iv) On July 15, 2010, the Company made the third public issue, in three series, of six hundred and fifty-one thousand and forty-two debentures not convertible into shares with a face value of R$ 1 each on the issue date. The first series comprised 201,026 debentures; the second series 335,000 and the third series 114,415. Total finance charges correspond to the internal rate of return of 0.19% per annum plus interest equivalent to the accumulated variation of the daily average Interbank Deposits (DI) rates for one day, 252-day basis, calculated and disclosed by CETIP. Interest will be calculated on a pro rata basis from the date of issue to the date of maturity of each series. Maturities are as follows: first series - July 15, 2014; second series - July 15, 2015; and third series - July 15, 2016. Transaction costs totaled R$ 6,063.

Of the outstanding debt balance, R$ 47,921 and R$ 647,392 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	6/30/2011
2011	622
2012	1,269
2013	1,303
2014	1,116
2015	526
2016	64
	4,900

(v) On October 15, 2010, the Company made its first private issue of debentures, in the total amount of R$ 1,099,996.84 with a face value of R$ 1,002.32 (one thousand and two reais and thirty-two cents) each on the issue date. The debentures were issued in two series, each series comprising 548,725 debentures. The first series will be adjusted for inflation by the Expanded Consumer Price Index (IPCA), calculated on a pro rata basis in accordance with the number of business days elapsed, and will yield interest of 3% per year, 252-day basis. These first series debentures mature on October 15, 2015, and are convertible into shares. The second series will not be adjusted for inflation but will yield fixed interest of 11.3% per year, 252-day basis, maturing on October 15, 2018. Transaction costs amounted to R$ 3,633.

In connection with the issue of the first series, 548,725 share subscription warrants were issued.

Of the outstanding debt balance, R$ 61,624 and R$ 1,024,905 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	6/30/2011
2011	371
2012	678
2013	688
2014	654
2015	533
2016	172
2017	110
2018	40
	3,246

(vi) On March 28, 2011, the Company made the fourth public issue of four hundred debentures, in two series (two hundred issued in each series), not convertible into shares, with a face value of R$ 1 million each on the issue date. Total finance charges of both series correspond to conventional interest calculated as from the issue date, equivalent to 111.00% of the accumulated variation of the daily average Interbank Deposit (DI) rates for one day "over extra group", expressed as an annual percentage, 252-day basis, calculated and disclosed by CETIP. The series will mature on March 28, 2014 and April 28, 2015, respectively. Transaction costs totaled R$ 1,230.

Of the outstanding debt balance, R$ 12,691 and R$ 399,218 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	6/30/2011
2011	177
2012	390
2013	443
2014	136
	1,146

(vii) On April 20, 2011, the Company made the first public issue of bonds, amounting to US$ 750 million. Total finance charges correspond to the internal rate of return of 7% per annum repayable semiannually, the first repayment will be on October 20, 2011 and the last one on April 20, 2021. Transaction costs totaled R$ 32,383.

Of the outstanding debt balance, R$ 71,269 and R$ 1,082,267 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	6/30/2011
2011	1,176
2012	2,462
2013	2,626
2014	2,810
2015	3,007
2016	3,227
2017	3,444
2018	3,685
2019	3,943
2020	4,231
2021	1,337
	31,948

The breakdown of long-term amounts of borrowings and debentures by maturity year is as follows:

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
2011				
2012	100,124	162,344	111,287	177,928
2013	535,730	509,436	557,821	519,144
2014	759,970	384,605	776,294	391,114
2015	1,010,322	1,037,726	1,025,865	1,040,762
2016	144,214	150,972	150,735	151,313
2017	88,797	90,163	91,425	90,504
2018	88,797	90,131	91,343	90,472
2019			2,125	332
2020			1,788	84
2021	1,082,267		1,083,770	
2022			1,503	
2023			251	
	3,810,221	2,425,377	3,894,207	2,461,653

(a) Collateral provided for borrowings

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Trade notes receivable pledged in guarantee	85,472	70,480	85,472	77,036
Letter of guarantee	41,318	43,572	56,576	59,344
Surety of shareholder and former shareholder	52,397	54,555	52,397	54,600
Property, plant and equipment (net) pledged in guarantee	133,780	114,512	151,756	155,235
Financial investments (held in connection with bank guarantees)	70,378	70,378	70,378	70,378
	383,345	353,497	416,579	416,593

(b) Finance lease liabilities

The minimum future finance lease payments, in total and for each of the periods stated below, are as follows:

	Consolidated	
	June 30, 2011	**December 31, 2010**
Gross finance lease liabilities - minimum lease payments		
Less than one year	3,427	7,600
Later than 1 year and no later than 5 years	309	1,485
Later than 5 years		
	3,736	9,085
Future finance charges on finance lease liabilities	(296)	(566)
Present value of finance lease liabilities	3,440	8,519
The present value of finance lease liabilities is as follows:		
Less than one year	3,179	7,188
Later than 1 year and no later than 5 years	261	1,331
Later than 5 years		
	3,440	8,519

Leases by category of assets:

					Consolidated
				6/30/2011	
Final maturities	**Machinery and equipment**	**Pallet racking structure**	**IT equipment**	**Vehicles**	**Total**
2011	1,315		8	44	1,367
2012	564	746		424	1,734
2013				339	339
					-
	1,879	746	8	807	3,440
Current	1,618	746	8	807	3,179
Non-current	261				261

					Consolidated
				12/31/2010	
Final maturities	**Machinery and equipment**	**Pallet racking structure**	**IT equipment**	**Vehicles**	**Total**
2011	3,656	486	43	330	4,515
2012	1,646	1,135		773	3,554
2013				450	450
	5,302	1,621	43	1,553	8,519
Current	4,819	1,287	43	1,039	7,188
Non-current	483	334		514	1,331

(c) Carrying amounts and fair value estimates

The carrying amounts and fair value estimates of non-current borrowings are as follows:

		Consolidated		Fair value	
		June 30, 2011	December 31, 2010	June 30, 2011	December, 31, 2010
Foreign currency					
Foreign currency	US$ + 3.7% to 5.65% p.a. and Yen + 5.8225% p.a.	62,903	113,580	62,903	114,195
Hedge		20,528	12,063	20,528	12,767
Bonds	Swap and NDF	1,153,536		1,153,536	
Local currency					
FCO	8.5% p.a.	45,103	31,342	29,916	28,908
Working capital	CDI + 1.15% to 1.55% p.a.	455,649	474,798	455,649	474,799
Local-currency financing					
Overdraft			566		566
Leasing	CDI + 4.6%	3,440	8,519	3,440	7,953
Finame	Fixed 4.5% p.a. and TJLP + 1.3% to 6.5% p.a.	31,594	33,227	21,249	33,195
Letter of guarantee		2,710	2,469	2,710	2,469
FINEP	TJLP + 6% p.a.	5,126	6,155	5,126	6,155
BNDES	Fixed 4.5% to 6% p.a. and TJLP + 1.5% to 3% p.a.	107,271	119,449	70,563	105,117
NPR	Fixed 6.75% p.a.	239	3,901	239	3,901
Banco Regional de Brasilia - BRB - PRÓ-DF	2,4265% p.a.	36	36	36	36
Debentures	IPCA+8.43; 113.72% of CDI and CDI + 1.65% to 1.85% p.a.	2,606,613	2,144,194	2,550,645	2,090,403
Total		4,494,748	2,950,299	4,376,540	2,880,464

FINAME: Government Agency for Machinery and Equipment Financing
FINEP: Financing Agency for Studies and Projects
FINIMP: Import Financing

The fair value of the current portion of borrowings equals the carrying amount, since the impact of the discount to present value is not significant. The fair values are based on the discounted cash flows, using a CDI market rate + 1.00% to 1.20% per year (2009 - CDI +1.20% to 1.50% per year).

(d) Simple debentures linked to a share subscription warrant

As mentioned in Note 19(v), in connection with the issue of simple debentures on October 15, 2010, the Company issued 548,725 share subscription warrants at a subscription price of R$ 29.48 (twenty-nine reais and forty-eight cents) per share, to be adjusted in the same manner as the debt balance of the first-series debentures, in such a way that the conversion will always be made for a fixed number of common shares, namely 34 shares for each subscription warrant, totaling a fixed number of 18,656,650 common shares.

The fair value of the liability component included in long-term borrowings was calculated by using the market interest rate for an equivalent non-convertible debt security. The remaining amount, representing the value of the subscription warrant, is included in equity within "Carrying value adjustments", net of income tax and social contribution in the amount of R$ 50,276.

The balance of the first series of the first private issue of simple debentures with floating guarantee, combined with the subscription warrants, recognized in the balance sheet, is broken down as follows at June 30, 2011:

Face value of the convertible debentures	596,691
Unexpired costs	(70,556)
Liability component at June 30, 2011	526,135

For the second series, which is not convertible into shares, the amount recorded in liabilities is R$ 560,470.

20 Deferred Income Tax and Social Contribution

(a) Breakdown of deferred tax assets

These refer to tax assets on tax loss carry-forwards and temporary differences recognized based on a study of their utilization against taxable income as from 2011.

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Tax assets:				
Tax loss carry-forwards	368,633	282,599	380,371	282,599
Temporary differences, mainly amortized goodwill	279,161	130,519	379,832	196,562
	647,794	413,118	760,203	479,161
Goodwill of merged companies, pursuant to CVM 319/99:				
Erches Participações Ltda.	17,361	26,831	17,361	26,831
Setiba Participações S.A.	41,271	44,328	41,271	44,328
	58,632	71,159	58,632	71,159
Total tax assets	706,426	484,277	818,835	550,320
(-) Portion of deferred tax assets that can be offset against deferred liabilities of the same nature	(633,468)	(468,126)	(645,313)	(518,912)
Remaining balance of tax assets	72,958	16,151	173,522	31,408
Deferred tax liabilities on temporary differences:				
Goodwill	533,983	363,153	533,983	363,153
Other business combination adjustments	77,239	86,801	113,111	134,469
Adjustments to present value and other	50,550	48,292	59,766	51,410
	661,772	498,246	706,860	549,032
	(633,468)	(468,126)	(645,313)	(518,912)
Remaining balance of deferred tax liabilities	28,304	30,120	61,547	30,120

The tax asset on goodwill of merged companies corresponds to deferred income tax and social contribution on the difference between the carrying amount of goodwill and its tax basis:

. Erches - On June 2, 2007, Erches Participações Ltda., a company owned by a foreign stockholder, acquired 38% of the shareholding control of Hypermarcas, for the amount of R$ 480,400. This acquisition resulted in goodwill of R$ 278,518, which was recognized net of the provision for realization of tax assets of R$ 183,822, resulting in net goodwill of R$ 94,696, recorded in "Long-term receivables". Erches was merged into the Company in June 2007.
. Setiba - On March 31, 2008, the parent company of Farmasa at the time, Setiba Participações S.A., was spun off and the portion related to the investment in Farmasa was merged on the same date into its subsidiary Farmasa. A provision equivalent to the amount of the difference between the total goodwill and the tax benefit of its amortization was established.

(b) Estimated realization period

Deferred tax assets are expected to be realized as follows:

	Tax assets	
Utilization period	Parent	Consolidated
2011	106,707	106,707
2012	40,156	40,156
2013	61,368	61,368
2014	80,525	80,525
2015	92,304	92,304
2016 to 2020	325,366	437,775
	706,426	**818,835**

The deferred tax assets arising from tax loss carry-forwards and temporary differences are expected to be realized by the end of 2020, in accordance with studies carried out by management, in view of the projected future positive results arising from the corporate restructuring actions mentioned in Note 1 which take into consideration: (i) the large number of brands which are well placed in the market; (ii) the diversification of operations in four market segments; and (iii) positive cash flows.

(c) Reconciliation of income tax and social contribution expense

	Parent		**Consolidated**	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
Profit before income tax and social contribution	163,017	158,984	179,966	165,327
Share of profit (loss) of subsidiaries	(33,913)	(17,944)		
Calculation basis	129,104	141,040	179,966	165,327
Income tax and social contribution standard rate	34%	34%	34%	34%
Income tax and social contribution at statutory rate	(44,071)	(48,193)	(61,961)	(56,679)
Provision for impairment of trade receivables and other assets	28,670	15,093	36,430	14,299
Exchange rate variation - deferred	2,249	10,527	2,079	10,527
Permanent (additions)/deductions	(10,603)	(4,939)	(15,755)	(6,148)

	Parent		Consolidated	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Tax asset recorded directly in capital reserves - CVM Regulatory Instruction 556/08 and CPC 08/2008		11,941		11,941
Amortization of goodwill	140,840	123,279	140,840	123,279
Refund of income tax and social contribution tax incentives				567
Tax incentives	577		720	
Transitional Tax System (RTT)	(11,681)	(9,669)	(11,538)	(9,539)
Offset of tax loss carry-forwards	35		2,264	2,847
Income tax and social contribution in profit or loss - current	106,016	98,039	93,079	91,094
Derecognition of income tax and social contribution due to offset			(2,229)	(2,322)
Realization of income tax and social contribution on temporary differences	(29,326)	(27,364)	(34,604)	(26,597)
Derecognition of income tax and social contribution due to spin-off	(19,502)		(19,502)	
Income tax and social contribution on goodwill (CPC 32)	(124,263)	(106,701)	(124,263)	(106,701)
Realization of deferred tax liabilities	2,814	1,341	6,309	3,498
Tax asset recorded directly in capital reserves - CVM Regulatory Instruction 556/08 and CPC 08/2008		(11,941)		(11,941)
Realization on goodwill - CVM Regulatory Instruction 319/99	(12,527)	(12,527)	(12,527)	(12,527)
Income tax and social contribution in profit or loss - deferred	(182,804)	(157,192)	(186,816)	(156,590)
Income tax and social contribution	(76,788)	(59,153)	(93,737)	(65,496)
income tax and social contribution on continuing operations	(76,754)	(59,153)	(93,703)	(65,496)
income tax and social contribution on discontinued operations	(34)		(34)	

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

(d) Deferred tax liabilities

Comprise, substantially, deferred income tax and social contribution liabilities, arising from the temporary difference between the tax basis of goodwill and its carrying amount in the balance sheet, since goodwill continues to be amortized for tax purposes, but has no longer been amortized in the accounting records since January 1, 2009, resulting in a lower tax basis than the carrying amount of the goodwill.
This temporary difference will result in amounts to be added back in the calculation of the taxable income of future years, when the carrying amount of the asset is reduced by *impairment* or is written off, making it necessary to record a deferred tax liability.

21 Taxes Payable

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Value-added Tax on Sales and Services (ICMS) payable	25,655	12,283	50,557	44,653
Excise Tax (IPI)	1,204	2,432	4,882	6,619
Social Integration Program (PIS)			2,985	446
Social Contribution on Revenues (COFINS)			14,620	1,993
Tax Recovery Program (REFIS)	8,813	3,548	37,918	10,212
Other taxes payable	1,026	1,074	4,731	1,964
	36,698	19,337	115,693	65,887

22 Payables

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Freight payable	21,360	26,979	26,556	28,346
Services rendered	49,207	15,874	60,931	23,394
Agreements, commercial budgets and other	51,960	129,890	58,122	129,930
Advertising	11,096	27,736	11,096	27,736
Rentals	286	1,308	287	2,581
Other	29,129	29,074	43,682	46,312
	163,038	230,861	200,674	258,299

23 Notes Payable

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Acquisition of DM Indústria Farmacêutica Ltda. (i)	167,760	364,490	167,760	364,490
(-) Adjustment to present value	(10,340)	(21,620)	(10,340)	(21,620)
	157,420	342,870	157,420	342,870
Acquisition of Laboratório Neo Química Comércio e Indústria S.A. (ii)	258,078	247,550	258,078	247,550
(-) Adjustment to present value	(2,580)	(4,841)	(2,580)	(4,841)
	255,498	242,709	255,498	242,709
Acquisition of Sapeka Indústria de Fraldas Descartáveis Ltda (v)	65,978	80,885	65,978	80,885
(-) Adjustment to present value	(2,444)	(855)	(2,444)	(855)
	63,534	80,030	63,534	80,030
Acquisition of Pom Pom Produtos Higiênicos Ltda. (ii)	174,665	166,201	174,665	166,201
(-) Adjustment to present value	(6,206)	(7,380)	(6,206)	(7,380)
	168,459	158,821	168,459	158,821
Acquisition of Mabesa do Brasil S.A	126,420		126,420	
(-) Adjustment to present value	(3,459)		(3,459)	
	122,961		122,961	
Acquisition of Ind. Nacional de Artefatos de Látex S.A. (iv)	93,913	98,859	93,913	98,859
(-) Adjustment to present value	(8,083)	(10,773)	(8,083)	(10,773)
	85,830	88,086	85,830	88,086
Acquisition of NY Looks brands (iii)	22,517	45,927	22,517	45,927
(-) Adjustment to present value	(1,623)	(2,498)	(1,623)	(2,498)
	20,894	43,429	20,894	43,429
Acquisition of Facilit Odontológica e Perfumaria Ltda. (ii)	28,175	33,625	28,175	33,625
(-) Adjustment to present value	(1,302)	(1,536)	(1,302)	(1,536)
	26,873	32,089	26,873	32,089
Acquisition of Luper Indústria Farmacêutica Ltda (ii)	21,654	22,363	21,654	22,363
(-) Adjustment to present value	(835)	(984)	(835)	(984)
	20,819	21,379	20,819	21,379
Acquisition of Bitufo	38,414	37,906	38,414	37,906
(-) Adjustment to present value	(1,772)	(2,019)	(1,772)	(2,019)
	36,642	35,887	36,642	35,887
Acquisition of Sabonetes Pompom	20,359	25,726	20,359	25,726
(-) Adjustment to present value	(301)	(502)	(301)	(502)
	20,058	25,224	20,058	25,224

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Acquisition of Aprov Comércio de Cosméticos Ltda	63,890	60,808	63,890	60,808
(-) Adjustment to present value	(2,822)	(3,242)	(2,822)	(3,242)
	61,068	57,566	61,068	57,566
Acquisition of Niasi Ind. de Cosmésticos Ltda	47,453	44,972	47,453	44,972
(-) Adjustment to present value	(518)	(764)	(518)	(764)
	46,935	44,208	46,935	44,208
Acquisition of Sul Química Ltda. (ii)	12,874	13,216	12,874	13,216
(-) Adjustment to present value	(115)	(180)	(115)	(180)
	12,759	13,036	12,759	13,036
Acquisition of ÉH Cosméticos S.A. (ii)		349		349
(-) Adjustment to present value		(2)		(2)
		347		347
Acquisition of rights of use	6,057	5,873	6,057	5,873
(-) Adjustment to present value	(163)	(214)	(163)	(214)
	5,894	5,659	5,894	5,659
Other	2,948	28,865	2,948	28,865
	2,948	28,865	2,948	28,865
	1,108,592	1,220,205	1,108,592	1,220,205
Current liabilities	639,146	605,263	639,146	605,263
Non-current liabilities	469,446	614,942	469,446	614,942

(i) The debt is collateralized by a Letter of Guarantee issued by a prime bank, and will be reduced on an annual basis, in accordance with the repayment schedule. The agreement contains a clause that provides for the adjustment of the installments based on the variation of US dollar exchange rate.

(ii) Adjusted based on the rates used on the financial market, basically the CDI.

(iii) The contract for acquisition of the brands (NY Looks, Bia Blanc, Radical, Aroma & Cor, Day, Dois! Earth, Um!, Três!, Ski, Sun, and Eco) from Brasil Global Ltda. establishes a price retention of R$ 12 million to collateralize possible contingencies of the seller. This amount is invested following the instructions of the creditor, and at June 30, 2010 is invested in shares, recorded in long-term receivables and, consequently, both the investment and the related portion of the debt were valued at the market value of the shares. The remaining balance of the debt is adjusted in accordance with the exchange variation. The debt is collateralized by a Letter of Guarantee.

(iv) Pursuant to the contract, the installment payments are adjusted based on the variation of the US dollar exchange rate.

(v) Installment subject to price adjustment. To be adjusted at the CDI rate as from 2011.

The rates used to calculate the adjustment to present value are described in Note 31.

Long-term amounts by maturity year are as follows:

	6/30/2011
2012	169,096
2013	179,315
2014	97,696
2015	15,421
2016	7,918
	469,446

24 Other Payables

	Parent		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Fomentar borrowing (i)	11,984	7,291	14,010	7,452
(-) Adjustment to present value	(10,668)	(6,515)	(12,464)	(6,515)
	1,316	776	1,546	937
Tax Recovery Program (REFIS) (ii)	23,993	19,196	81,401	37,072
(-) Adjustment to present value	(1,123)	(1,223)	(3,709)	(2,048)
	22,870	17,973	77,692	35,024
National Institute of Social Security (INSS) - installment payment	1,628	56	2,115	2,175
Other	2,225	1,029	33,278	6,287
	3,853	1,085	35,393	8,462
	28,039	19,834	114,631	44,423
Current liabilities:				
- Included in salaries and social charges (INSS)	454	56	454	56
- Included in taxes payable (REFIS) (ii)	8,813	3,547	36,727	10,422
	9,267	3,603	37,181	10,478
Non-current liabilities	18,772	16,231	77,450	33,945

(i) The "Fomentar" and "Produzir" liabilities relate to the ICMS tax incentive through which 70% to 73% of the ICMS calculated on a monthly basis is financed by the Government of the State of Goiás, with a 20-year payment term, bearing interest of 2.4% per annum, and installments payable on a monthly basis. The State Government holds auctions periodically to sell these credits, with discounts of up to 89%, at which the debtor (Hypermarcas) also has the right to acquire them.

(ii) Tax Recovery Program (REFIS)

Law 11941 was enacted by the Federal Government on May 27, 2009, as a result of the conversion of Provisional Measure 449/08 which, among other amendments to the tax law, established a new installment program for payment of federal tax debts administered by the Brazilian Federal Revenue Secretariat (RFB) and the National Institute of Social Security (INSS), and debts to the Office of the Attorney-General of the National Treasury (PGFN), including the remaining balance of debts consolidated under the REFIS program (Law 9964/00), the Special Tax Debt Installment Program (PAES) under Law 10684/03, and the Exceptional Tax Debt Installment Program (PAEX) under Provisional Measure 303/06, in addition to the regular tax debt installment programs established in article 38 of Law 8212/91 and article 10 of Law 10522/02.

The entities that opted to pay taxes in cash or in installments under this law, can settle, if applicable, the amounts corresponding to fine in arrears and fine on assessment, as well as interest in arrears, including those related to executable debts, by using its own income tax and social contribution losses, and will benefit from the reduction in penalties, interest and legal charges. The percentage of reduction depends on the payment term selected.

In accordance with the procedures for the first phase of the installment programs, the Company, after having filed petitions formalizing its withdrawal from the lawsuits relating to taxes which have been included in the tax debt installment program, requested its inclusion in such program, selecting the form of payment and identifying the generic type of the tax debts for which the initial installments have been made, according to the rules defined in the Joint Ordinance of the Federal Revenue Secretariat (SRF) and Attorney-General of the National Treasury (PGFN).

The general conditions for this installment program can be summarized as follows:

Consolidated obligations included in the program:

	Principal	Charges	Fine	Interest	Balance at 6/30/2011
Balance of previous programs (REFIS, PAES, PAEX)	3,796	2,766	3,505	6,531	16,598
Other	32,499	898	7,066	24,340	64,803
	36,295	3,664	10,571	30,871	81,401

In June 2011, the Company identified the debts to be included in the tax debt installment program and the number of installments selected. The Federal Revenue Secretariat (SRF) and the Attorney-General of the National Treasury (PGFN) will consolidate the installment payments in July 2011.
The adjustment to present value was calculated by installment, considering the funding rate in the period when the financing was obtained (rate of 2% p.a.).

25 Insurance

The Company's policy for insurance mainly takes into consideration the concentration of risks and the significance and replacement amount of the assets. The main information on the insurance coverage in effect, by insurance policy, is as follows:

	Cosmed	Goiânia	Itajaí	Aracatuba	Neo Química	Pom Pom	Inal	Lúper	Facilit	Sapeka	York	Bitufo	Mantecorp	Mabesa	Distribution centers
Fire, fire caused by commotion, lightning and explosion of any nature	90,000	82,093	21,000	122,289	90,000	111,850	41,000	51,300	30,100	199,500	35,000	15,500	5,500	59,000	509,380
Maximum indemnity limit	183,000	82,093	21,000	122,289	90,000	111,850	41,000	51,300	30,100	199,500	35,000	15,500	332,096	70,150	509,380
Windstorm/smoke	60,000	15,000	15,000	15,000	30,000	15,000	15,000	15,000	15,000	45,000	15,000	15,000	8,600	6,550	225,000
Electrical damage	6,000	3,000	3,000	3,000	6,000	3,000	3,000	3,000	3,000	9,000	3,000	3,000	4,220	200	45,000

26 Breakdown of Statement of Income Accounts

(a) Selling and marketing expenses

	Parent			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Salaries, social charges and other (i)	(48,595)	(101,507)	(37,440)	(69,741)
Freight and insurance on sales	(34,591)	(63,409)	(22,733)	(45,839)
Advertising and publicity	(97,606)	(150,649)	(92,287)	(138,735)
Agreements, commercial budgets and other	(42,816)	(74,043)	(45,987)	(85,579)
Promotions, gifts and samples	(35,310)	(60,447)	(14,826)	(22,996)
Medical visits	(38,073)	(51,475)	(8,434)	(15,115)
Sales commissions	(7,626)	(14,497)	(2,310)	(6,033)
Third-party services	(15,124)	(29,082)	(8,686)	(17,228)
Travel and lodging	(7,100)	(10,881)	(3,441)	(5,855)
Car rentals	(3,307)	(5,862)	(1,420)	(2,488)
Provision for impairment of trade receivables and other losses	(5,676)	(13,686)	(3,329)	(7,592)
Depreciation and amortization	(4,594)	(8,885)	(3,960)	(7,867)
Other selling expenses	(8,901)	(22,625)	(12,725)	(23,145)
	(349,319)	(607,048)	(257,578)	(448,213)

	Consolidated			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Salaries, social charges and other (i)	(66,405)	(133,998)	(40,956)	(73,901)
Freight and insurance on sales	(39,183)	(72,147)	(26,497)	(49,716)
Advertising and publicity	(97,832)	(154,117)	(95,178)	(141,242)
Agreements, commercial budgets and other	(48,654)	(83,938)	(50,142)	(89,736)
Promotions, gifts and samples	(35,351)	(65,837)	(15,185)	(23,355)
Medical visits	(27,966)	(51,475)	(8,434)	(15,115)
Sales commissions	(7,627)	(14,895)	(6,101)	(9,824)
Third-party services	(18,294)	(36,181)	(11,438)	(20,663)
Travel and lodging	(7,251)	(12,938)	(3,612)	(6,027)
Car rentals	(3,337)	(7,236)	(1,445)	(2,593)
Provision for impairment of trade receivables and other losses	(5,700)	(13,702)	(3,543)	(7,806)
Depreciation and amortization	(5,414)	(10,606)	(4,424)	(8,375)
Other selling expenses	(15,541)	(32,425)	(16,350)	(27,274)
	(378,555)	(689,495)	(283,305)	(475,627)

(i) Substantially salaries and social charges.

(b) General and administrative expenses

	Parent			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Salaries, social charges and other	(27,222)	(49,973)	(23,427)	(45,311)
Travel and lodging	(1,608)	(2,877)	(721)	(1,612)
Rentals	(1,890)	(2,836)	(620)	(1,228)
Donations and contributions		(416)	(237)	(1,155)
Third-party services	(19,558)	(36,474)	(6,357)	(18,450)
Contributions and taxes			(19)	(19)
Depreciation and amortization	(2,607)	(4,921)	(2,219)	(4,373)
Other administrative expenses	(4,187)	(7,869)	(1,943)	(6,604)
	(57,072)	(105,366)	(35,543)	(78,752)

	Consolidated			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Salaries, social charges and other	(35,100)	(72,263)	(25,072)	(48,207)
Travel and lodging	(1,684)	(3,130)	(3,645)	(4,557)
Rentals	(2,869)	(5,189)	(650)	(1,269)
Donations and contributions	(14)	(441)	(240)	(1,158)
Third-party services	(24,533)	(44,614)	(8,068)	(21,198)
Contributions and taxes			(34)	(34)
Depreciation and amortization	(5,147)	(8,711)	(2,300)	(4,707)
Other administrative expenses	(5,157)	(9,844)	(3,867)	(8,727)
	(74,504)	(144,192)	(43,876)	(89,857)

(c) Finance costs

	Parent			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Working capital	(15,498)	(30,661)	(10,763)	(21,342)
	(15,498)	(30,661)	(10,763)	(21,342)
Interest on local-currency borrowings				
Center-West Financing (FCO)	(334)	(898)	(203)	(420)
National Bank for Economic and Social Development (BNDES)	(1,197)	(3,047)	(1,104)	(2,380)
Government Agency for Machinery and Equipment Financing (FINAME)	(654)	(934)	(49)	(119)
	(2,185)	(4,879)	(1,356)	(2,919)
Interest on foreign-currency borrowings	(17,188)	(19,828)	(2,867)	(5,169)
Interest on notes payable and other	(19,253)	(38,057)	(19,095)	(37,043)
Debentures	(78,147)	(144,316)	(6,620)	(10,842)
Promissory notes			(3,602)	(6,381)
Interest and commission on letters of guarantee	(3,295)	(5,457)	(3,148)	(3,691)
Banking expenses, discounts granted and other	(4,850)	(13,889)	(6,762)	(13,106)
Exchange variation on loans (net)	15,793	12,398	394	(205)
Exchange variation on acquisition of company	5,529	13,046	(7,113)	(21,999)
Exchange variation on trade payables and receivables (net)	1,250	2,758	(621)	(1,163)
	(100,161)	(193,345)	(49,434)	(99,599)
Reversals of adjustments to present value	(14,122)	(27,981)	(12,558)	(25,198)
	(131,966)	(256,866)	(74,111)	(149,058)

	Consolidated			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Working capital	(15,498)	(30,661)	(11,398)	(21,977)
	(15,498)	(30,661)	(11,398)	(21,977)
Interest on local-currency borrowings				
Center-West Financing (FCO)	(334)	(898)	(203)	(420)
Fund for Financing of Studies and Projects (FINEP)	(77)	(160)	(106)	(320)
National Bank for Economic and Social Development (BNDES)	(1,359)	(3,379)	(1,430)	(2,932)
Government Agency for Machinery and Equipment Financing (FINAME)	(815)	(1,252)	(979)	(1,103)
	(2,585)	(5,689)	(2,718)	(4,775)
Interest on foreign-currency borrowings	(17,188)	(19,828)	(2,755)	(5,169)
Interest on notes payable and other	(22,555)	(43,975)	(20,166)	(37,920)
Debentures	(78,147)	(144,316)	(6,620)	(10,842)
Promissory notes			(3,602)	(6,381)
Interest and commission on letters of guarantee	(3,432)	(5,848)	(3,233)	(3,776)
Banking expenses, discounts granted and other	(5,607)	(15,188)	(8,880)	(15,180)
Exchange variation on loans (net)	16,426	12,398	411	(246)
Exchange variation on acquisition of company	5,529	13,046	(7,113)	(21,999)
Exchange variation on trade payables and receivables (net)	1,371	3,698	(852)	(1,604)
	(103,603)	(200,013)	(52,810)	(103,117)
Reversals of adjustments to present value	(14,016)	(27,939)	(12,558)	(25,198)
	(135,702)	(264,302)	(79,484)	(155,067)

(d) Finance income

	Parent			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Interest receivable	3,066	4,447	797	1,514
Income from investments and other	64,562	109,966	34,057	47,259
	67,628	114,413	34,854	48,773

	Consolidated			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Interest receivable	3,034	4,929	1,041	1,755
Income from investments and other	65,473	111,314	34,619	47,898
	68,507	116,243	35,660	49,653

27 Share Capital and Reserves

(a) Share capital

At June 30, 2011, the Company is authorized to increase share capital up to the limit of R$ 5,500,000, pursuant to a provision in its bylaws and as approved by the Board of Directors and at the Extraordinary General Meeting held on January 24, 2011.

At June 30, 2011, fully paid-up share capital is R$ 5,227,017 (December 31, 2010 - R$ 3,321,195), represented by 626,784,912 (December 31, 2010 - 547,846,370) common shares.

In April 2011, capital was increased by R$ 5,822 through funds obtained from the issue of 924,595 shares granted by the Company under the 2008 and 2009 Stock Option Program.
In January 2011, share capital was increased by R$ 1.900.000 through the issue of 78,013,947 common shares resulting from the merger of Mantecorp shares.

In September 2010, share capital was increased by R$ 153,000 through the issue of 6,784,923 common shares resulting from the merger of Sapeka shares.

In April 2010, capital was increased by R$ 606,078 through funds obtained from a primary public offering of 58,696,000 common shares and R$ 6,565 through funds obtained from the issue of 1,164,056 shares granted by the Company under the 2008 Stock Option Program.

In December 2009, share capital was increased by R$ 681,625 through exchange of shares during the merger process of Hypernova (acquisition of Neo Química).

In July 2009, capital was increased by R$ 281,750 arising from a primary public offering of the Company's common shares, generating a share premium of R$ 281,750, which was allocated to the capital reserve.

(b) Share premium

This reserve is recorded upon share issues and refers to the portion of non-par share issue price exceeding the amount appropriated to capital. There was an increase of R$ 603,359 in this reserve arising from the public share offering in April 2010.

(c) Stock options

The Extraordinary General Meeting of Hypermarcas S.A. held on March 24, 2008 approved a stock option plan ("Plan I") under which the employees are allowed to acquire the Company's shares.

The Board of Directors' Meeting held on May 30, 2008, subsequently amended by the Board of Directors' Meeting of December 29, 2008, approved 1,802,212 options relating to the year 2008 ("2008 Program") to be granted to the employees through Private Stock Option Agreements. These agreements have been executed by the Company and the employees participating in Plan I - 2008 Program as from February 2, 2009.

The main characteristics of Plan I - 2008 Program are as follows:

. Exercise price of R$8.50
. Vesting period of 3 years for 50% of the options granted and of 4 years for the remaining 50%.

The Extraordinary General Meeting (AGE) held on December 29, 2008 approved a new stock option plan ("Plan II") for the employees of Hypermarcas S.A., for the purpose of "attracting and retaining the Company's officers".

The Board of Directors' Meeting held on December 29, 2008, subsequently amended by the Board of Directors' Meeting of February 6, 2009, approved 8,800,000 options relating to the year 2008 ("2008 Program") to be granted to the Company's officers through Stock Option Agreements.

The main characteristics of Plan II - 2008 Program are as follows:

. Exercise price of R$5.36
. Vesting period of 1 year for up to 10% of the options granted, 2 years for up to 20%, 3 years for up to 40%, 4 years for up to 60%, 5 years for up to 80% and 6 years for up to 100%.
. Requirement to allocate 50% of the annual bonus of the officers participating in the plan to purchase Hypermarcas shares.

The Board of Directors' Meeting held on December 17, 2009 approved 2,800,000 options referring to the year 2009 ("2009 Program") to be granted to the Company's officers through Stock Option Agreements.

The main characteristics of Plan II - 2009 Program are as follows:

. Exercise price of R$17.06
. Vesting period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
. Requirement to allocate 50% of the annual bonus of the officers participating in the plan to purchase Hypermarcas shares.

The main characteristics of Plan II - 2010 Program are as follows:

. Exercise price of R$20.21
. Vesting period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
. Requirement to allocate 50% of the annual bonus of the officers participating in the plan to purchase Hypermarcas shares.
. 2,600,000 shares granted.

The main characteristics of Plan II - 2011 Program are as follows:

. Exercise price of R$19.26
. Vesting period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
. Requirement to allocate 50% of the annual bonus of the officers participating in the plan to purchase Hypermarcas shares.
. 3,700,000 shares granted.

Total options granted

The dilution percentage to which the current stockholders are subject if all options outstanding at June 30, 2011 are exercised is 2.67% in the Plans and Programs listed below:

Plan	Program	Vesting period	Exercise price	Options granted	Options exercised	Options cancelled	Outstanding agreements at 06/30/2011	Fair value at grant date	Estimated cost (in thousands of reais)
Plan I	2008	06/01/11	8.50	901,106	0	0	901,106	0.33	120.6
Plan I	2008	06/01/12	8.50	901,106	0	0	901,106	0.73	250.7
Plan II	2008	11/01/08	5.36	880,000	878,144	0	1,856	0.04	35.2
Plan II	2008	11/01/09	5.36	880,000	285,909	0	594,091	0.64	432.1
Plan II	2008	11/01/10	5.36	1,760,000	904,578	140,000	715,422	1.19	1,302.5
Plan II	2008	11/01/11	5.36	1,760,000	0	260,000	1,500,000	1.71	1,585.1
Plan II	2008	11/01/12	5.36	1,760,000	0	260,000	1,500,000	2.20	1,917.0
Plan II	2008	11/01/13	5.36	1,760,000	0	260,000	1,500,000	2.68	2,216.3
Plan II	2009	12/17/10	17.06	560,000	20,017	0	539,983	4.13	1,942.4
Plan II	2009	12/17/11	17.06	560,000	0	0	560,000	5.55	2,364.3
Plan II	2009	12/17/12	17.06	560,000	0	0	560,000	6.95	2,761.5
Plan II	2009	12/17/13	17.06	560,000	0	0	560,000	8.31	3,136.4
Plan II	2009	12/17/14	17.06	560,000	0	0	560,000	9.62	3,491.1
Plan II	2010	08/06/11	20.21	520,000	0	0	520,000	3.57	1,826.2
Plan II	2010	08/06/12	20.21	520,000	0	0	520,000	4.52	2,279.4
Plan II	2010	08/06/13	20.21	520,000	0	0	520,000	5.47	2,715.2
Plan II	2010	08/06/14	20.21	520,000	0	0	520,000	6.41	3,132.6
Plan II	2010	08/06/15	20.21	520,000	0	0	520,000	7.34	3,530.9
Plan II	2011	02/01/12	19.26	740,000	0	0	740,000	0.96	699.8
Plan II	2011	02/01/13	19.26	740,000	0	0	740,000	1.81	1,296.2
Plan II	2011	02/01/14	19.26	740,000	0	0	740,000	2.64	1,864.1
Plan II	2011	02/01/15	19.26	740,000	0	0	740,000	3.47	2,413.4
Plan II	2011	02/01/16	19.26	740,000	0	0	740,000	4.30	2,945.1
Total				**19,702,212**	**2,088,648**	**920,000**	**16,693,564**		**44,258.1**

Plan	Program	Vesting period	Exercise price	Options granted	Options exercised	Outstanding agreements at 06/30/2010	Fair value at grant date	Estimated cost (in thousands of reais)
Plan I	2008	06/01/11	8.50	901,106	0	901,106	0.33	287.4
Plan I	2008	06/01/12	8.50	901,106	0	901,106	0.73	627.9
Plan II	2008	11/01/08	5.36	880,000	878,144	1,856	0.04	35.2
Plan II	2008	11/01/09	5.36	880,000	285,909	594,091	0.64	559.5
Plan II	2008	11/01/10	5.36	1,640,000	0	1,640,000	1.19	1,904.3
Plan II	2008	11/01/11	5.36	1,640,000	0	1,640,000	1.71	2,682.2
Plan II	2008	11/01/12	5.36	1,640,000	0	1,640,000	2.20	3,406.2
Plan II	2008	11/01/13	5.36	1,640,000	0	1,640,000	2.68	4,076.5
Plan II	2009	12/17/10	17.06	560,000	0	560,000	4.13	2,278.6
Plan II	2009	12/17/11	17.06	560,000	0	560,000	5.55	3,015.9
Plan II	2009	12/17/12	17.06	560,000	0	560,000	6.95	3,714.7
Plan II	2009	12/17/13	17.06	560,000	0	560,000	8.31	4,372.5
Plan II	2009	12/17/14	17.06	560,000	0	560,000	9.62	4,984.7
Total				**12,922,212**	**1,164,053**	**11,758,159**		**31,945.6**

Option pricing model

The Company considered the following assumptions to calculate the fair value of the options granted:

- The options are exercised at the end of each vesting period, mainly due to the requirement of allocating the officers' bonuses to the purchase of shares issued by the Company.
- No account taken of the distribution of dividends, since the exercise price is adjusted for any distributions.
- Valuation of the options in accordance with market parameters at the date of each contract with the plan's beneficiaries.
- 1.5% annual reduction of options to be exercised considering estimated employee turnover.

The valuation utilized was therefore based on the Black & Scholes Model for simple European options, using Brazil's base interest rate (SELIC) and the historical monthly volatility at the date of the agreements entered into with the beneficiaries.

(d) Treasury shares

In 2011, 1,171,200 shares were acquired for the average price of R$ 16.0559 each, totaling R$ 18,805.

(e) Legal reserve

The legal reserve is credited annually with 5% of net income for the year and cannot exceed 20% of share capital. The purpose of the legal reserve is to ensure the integrity of capital and it can be used only to offset losses and increase capital. The amount of R$ 12,117 (R$ 5,828 in 2009) was appropriated to this reserve at December 31, 2010.

(f) Tax incentive reserve

On April 29, 2011, the Annual General Meeting (AGO) approved the transfer of R$ 23,613 (R$ 38,726 in 2010) to this reserve, pursuant to article 195-A of the Brazilian Corporation Law (amended by Law 11638 of 2007); this reserve is credited with the benefits of tax incentives, which are recognized in the statement of income for the year and allocated from retained earnings to this reserve. These incentives are not included in the calculation of the minimum mandatory dividend.

(g) Unrealized profit reserve

On April 29, 2011, the Annual General Meeting (AGO) approved the transfer of R$ 5,403 (R$ 27,685 in 2010) to this reserve, pursuant to article 197 of the Brazilian Corporation Law, considering that the mandatory dividend amount, calculated in accordance with the Company's bylaws, exceeds the realized portion of profit for the year.

(h) Revenue reserve for expansion

Also on April 29, 2011, the Annual General Meeting (AGO) approved the transfer of R$ 54,936 (R$ 44,327 in 2010) to this reserve, pursuant to article 194 of the Brazilian Corporation Law and the sole paragraph of article 39 of the Company's bylaws.

(i) Profit retention reserve

On April 29, 2011, based on the capital budget set forth in article 196 and article 41 of the Company's bylaws, the amount of R$ 70,699 was provided for.

(j) Proposed dividends

Dividends of R$ 27,685 proposed at December 31, 2009 were reversed to the Unrealized profit reserve as approved by the Annual General Meeting (AGO) held on March 26, 2010, pursuant to article 197 of the Brazilian Corporation Law. At December 31, 2010, the amount of R$ 75,555 was calculated as proposed minimum dividends and the Annual General Meeting (AGO) held on April 29, 2011 decided to distribute 100% of the proposed dividends, with payment date in July 2011.

(k) Primary offering of shares

In April 2010, the Company received funds from the primary offering of 58,696,000 common shares issued by the Company at the subscription price of R$ 21.00 (twenty-one reais) per share. The gross funds obtained were R$ 1,232,616, issuance costs totaled R$ 35,121 (R$ 23,179 net of tax effects) and the net amount received was R$ 1,197,495. Of this amount, R$ 606,078 was used to increase share capital and the remainder was allocated to the share premium capital reserve.

(l) Carrying value adjustment

i) Issuance of debentures in connection with subscription warrants

In connection with the issuance of debentures in November 2010, 548,725 share subscription warrants were issued at the subscription price of R$ 29.48 (twenty-nine reais and forty-eight cents) per share, adjusted in the same manner as the debt balance of the private debentures of the first series.
The fair value of the liability component included in non-current borrowings was calculated using the market interest rate for an equivalent non-convertible debt security net of taxes. The face value of the debentures was R$ 549,998, generating a fair value adjustment totaling R$ 50,276.

ii) Fair value of business combination with change in equity interest

In the acquisition of 76.23% ownership interest of Mantecorp for R$1,900,000, 78,013,947 shares of Hypermarcas S/A were issued at the face value of R$ 24.35 each. The fair value was calculated at R$ 21.09 totaling R$ 1,645,314, with a subsequent fair value adjustment of R$ 254,686.

(m) Profit for allocation by the Annual General Meeting (AGO)

After the establishment of the Legal Reserve and the calculation of the minimum mandatory dividends, the remaining balance of profit for the year remains in a Revenue Reserve until the AGO decides on its allocation.

28 Segment Information

Management has determined the Company's operating segments based on the reports used to make strategic decisions reviewed by the CEO.

The CEO considers the business also from a business segment perspective. The three segments defined are: Pharmaceutical, Beauty and personal hygiene, Cleaning and food.

The revenue generated by the operating segments reported mainly arises from the manufacturing and sale of pharmaceutical, hygiene and beauty, cleaning and food products.

The segment information reviewed by the CEO for the quarter ended June 30, 2011 is as follows:

	Pharmaceutical	Personal hygiene	Cleaning and food	Total
Net sales	484,695	377,178	74,740	936,613
Cost of sales	(116,750)	(202,943)	(50,381)	(370,074)
Gross profit	367,945	174,235	24,359	566,539

For the quarter ended June 30, 2010, the segment information is as follows:

				Consolidated
	Pharmaceutical	Personal hygiene	Cleaning and food	Total
Net sales	331,123	324,086	91,450	746,659
Cost of sales	(109,737)	(167,589)	(52,418)	(329,744)
Gross profit	221,386	156,497	39,032	416,915

The assets per business segment are as follows:

	June 30, 2011	December 31, 2010
Pharmaceutical	6,036,723	3,457,312
Beauty and personal hygiene	2,616,253	2,058,457
Cleaning and food	258,447	270,706
Unallocated	4,817,503	4,200,707
	13,728,926	9,987,182

29 Revenue

The reconciliation between gross sales and net revenue is as follows:

				Parent
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Gross sales and services	1,065,065	1,949,900	842,267	1,659,900
Returns	(1,787)	(10,109)	(30,023)	(53,250)
Discounts (*)	(46,376)	(75,262)	(12,194)	(22,178)
Taxes	(138,193)	(257,134)	(122,499)	(237,709)
Net revenue	878,709	1,607,395	677,551	1,346,763

	Consolidated			
	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011	4/1/2010 to 6/30/2010	1/1/2010 to 6/30/2010
Gross sales and services	1,172,858	2,251,927	965,205	1,785,695
Returns	(5,163)	(18,522)	(32,297)	(55,537)
Discounts (*)	(72,693)	(151,175)	(12,194)	(22,178)
Taxes	(158,389)	(300,370)	(174,055)	(313,640)
Net revenue	936,613	1,781,860	746,659	1,394,340

(*) Commercial agreements directly related to billings, originally recorded under selling expenses (BRGAAP), were reclassified to Net revenue. (R$ 36,825 - 6/30/2011 and R$ 19,861 - 6/30/2010).

30 Contingent Liabilities

(a) Provisions for contingencies

At June 30, 2011, the Company had the following liabilities and corresponding judicial deposits related to contingencies:

Parent	6/30/2011					12/31/2010			
	Judicial deposit	Probable loss	Expected losses arising from business combination	Contingency net of judicial deposit	Possible loss	Judicial deposit	Probable loss	Contingency net of judicial deposit	Possible loss
Labor	2,300	11,027	3,037	11,764	11,782	2,044	5,594	3,550	12,057
Civil	256	681	53	478	1,128	257	351	94	1,614
Tax	9,213	11,502	245,533	247,822	16,001	4,554	4,988	434	13,695
Administrative/other	2	2,755		2753	1,643		299	299	1,425
	11,771	25,965	248,623	262,817	30,554	6,855	11,232	4,377	28,791
Provision - companies acquired							4,493	4,493	
	11,771	25,965	248,623	262,817	30,554	6,855	15,725	8,870	28,791

Consolidated	6/30/2011					12/31/2010			
	Judicial deposit	Probable loss	Expected losses arising from business combination (b)	Contingency net of judicial deposit	Possible loss	Judicial deposit	Probable loss	Contingency net of judicial deposit	Possible loss
Labor	2,300	13,442	23,876	35,018	13,202	2,044	5,634	3,590	12,822
Civil	256	748	18,837	19,329	1,316	257	360	103	1,754
Tax	12,044	79,132	359,402	426,490	28,063	6,677	7,123	446	15,763
Administrative/other	2	4,129		4,127	1,816		342	342	1,558
	14,602	97,451	402,115	484,964	44,397	8,978	13,459	4,481	31,897
Provision - companies acquired							28,972	28,972	
	14,602	97,451	402,115	484,964	44,397	8,978	42,431	33,453	31,897

(i) The Company and its subsidiaries have judicial deposits in the estimated amount of R$ 2,339 due to legal requirement and/or that were already recorded in companies acquired, which are partly linked to lawsuits under the responsibility of the selling partners.

(ii) The Company and its subsidiaries have judicial deposits in the estimated amount of R$ 5,304, exceeding the expected probable loss, of which R$ 2,527 refers to labor lawsuits, R$ 2,420 to tax lawsuits, R$ 316 to civil lawsuits and R$ 41 to administrative lawsuits.

(b) Contingencies under the responsibility of the Company, assumed in business combinations.

In acquiring Mabesa and Mantecorp, the Company assumed their contingencies. As required by CPC 15 - Business Combinations (see Note 17), in addition to provision for probable losses, the Company also records provision for possible losses.

The significant contingencies are summarized as follows:

	Labor/Civil		Tax		Total	
	Probable	Possible	Probable	Possible	Probable	Possible
Mabesa	211	19,416	64,390	26,508	64,601	45,924
Mantecorp	2,557	23,297	1,388	332,894	3,945	356,191
	2,768	42,713	65,778	359,402	68,546	402,115

In this quarter, and also under the measurement period as required by CPC 15, the Company and its legal advisors concluded the assessments of contingencies assumed in these acquisitions, resulting in a reversal of approximately R$ 190 million (the corresponding entry to this reversal was the goodwill account).

(c) Possible contingencies - (Responsibility of the Company and its subsidiaries)

The Company and its subsidiaries are parties to labor, civil, tax and regulatory lawsuits which, according to the current evaluation of the likelihood of a favorable outcome, established based on the opinion of legal advisors and legal aspects, do not require the recording of provisions, either because they are classified as possible losses, or because of exclusion of liability arising from agreements entered into with the sellers.

As of June 30, 2011 at the consolidated level, the amount of possible losses arising from these lawsuits is estimated at R$ 44,397, of which R$ 13,202 refers to labor lawsuits, R$ 1,316 to civil lawsuits, R$ 28,063 to tax lawsuits, and R$ 1,816 to administrative, regulatory and other lawsuits.

The Company is in litigation with competitors regarding the registration of trademarks with the National Institute of Industrial Property (INPI), with no financial contingency determinable at present.

(i) Civil

The Medicine Market Regulation Chamber (CMED) applied 2 fines, in the amounts of R$ 3.2 and R$ 2.6 million, against Mantecorp, in view of the alleged irregular increase in medicine prices. We are challenging this at the administrative and judicial levels and, according to the opinion of our external lawyers, the likelihood of loss is possible and, for this reason, we have not recorded a provision.

The lawsuit 2008.34.00,000496-0 challenges the application of fine by the Brazilian Antitrust Agency (CADE) against Mantecorp, in the amount of R$ 6,993, due to the alleged formation of cartel of pharmaceutical laboratories in order to impair the sale of generic products. According to the opinion of our external lawyers, the likelihood of loss is possible and, for this reason, we have not recorded a provision.

(ii) Labor

The Company and/or its subsidiaries are parties to approximately 1,142 labor lawsuits under the responsibility of the Company and/or its subsidiaries and/or vendor partners of companies acquired by and merged into the Company, whose estimated possible loss is R$ 13,202.

These lawsuits claim overtime and related effects, failure to compensate overtime hours worked, salary differences and related effects, indemnities related to occupational diseases and/or accidents, health hazard premium or hazardous duty premium and related effects, among other issues.
Of these labor lawsuits, 136 arise from the acquisition of Laboratório Americano de Farmacoterapia S.A. (Farmasa), merged into the Company, with possible losses under the Company's responsibility estimated at R$ 2,920, and 123 arise from the acquisition of Brainfarma Indústria Química e Farmacêutica S.A., Mantecorp Logística Distribuição e Comércio S.A. and Mantecorp Indústria Química e Farmacêutica S.A. with possible losses under the Company's responsibility estimated at R$ 4,490, claiming, among other issues, indemnities related to occupational diseases and/or accidents, employment relationship and resulting payment of payroll amounts, salary differences, overtime and related effects, as well as temporary job stability. (See item c).

A labor action was filed against the Company in the 82nd Labor Court of São Paulo by one of the former officers of Ceil Comércio e Distribuidora Ltda. (merged into the Company), and the value of the matter under dispute is estimated at R$ 5,530. The likelihood of loss from this contingency was classified by the Company's external lawyers as possible, and practically the entire period involved is the responsibility of the partners that sold Ceil, with contractual mechanisms for reimbursement of any losses incurred. (See item c).

The Company is being investigated in a Public Civil Inquiry in which the Ministry of Labor, through the Labor Public Prosecutor's Office of the 10th Region, is examining the possible existence of discrimination by the Company, the purpose of which is to determine whether the Company has violated labor union freedom. This is an investigational procedure for which we are presently unable to estimate the amounts involved.

(iii) Tax

Mabesa transferred finished products to specific storehouse, which were subsequently sold to customers. Due to procedures failures, the company did not issue an invoice registering the return of stored products to the receiving establishment, responsible for the sales. Accordingly, "SEFAZ/SP" filed a tax assessment notice alleging that the products were sold without invoice. The tax foreclosure phase started in March 2011 and the restated debt amount deemed as probable is R$ 53,824;

Mabesa was challenged by federal tax authorities as to the non-payment of "PIS/COFINS" due to alleged error in tax credit calculation and for the registration of credits without the appropriated demonstration of the credit support, for which the probable loss was R$ 6,496 and the possible loss was R$ 6,048. The Company elected to include this debt in the installment program of Law 11941/2009 (REFIS of the Crisis) on July 30, 2011;

Disallowance of "ICMS" credits, calculated by "SEFAZ/RJ" in Mantecorp Logística., relating to the medicine "Remicade", that was sold to government agencies, with exemption from taxes in the period between December 2006 and August 2008. "SEFAZ/RJ" challenges the lack of legal provision. Restated possible loss totals R$ 239,735 and the lawsuit is at the administrative level.

Mantecorp Indústria Química was challenged by the Federal Revenue Secretariat about the offsets made based on a preliminary injunction established in recordings of MS 2000.51.01.004617-1 which discussed the illegality of inclusion of "ICMS" in "PIS/COFINS" calculation basis. Restate possible loss totals R$ 35,209 and the lawsuit is at the administrative level.

Mantecorp Indústria Química was challenged by the Federal Revenue Secretariat in regard to non-payment of estimated "IRPJ" and "CSLL", resulting in the issue of two Tax Assessment Notices and Charge of Fines (AIIM) requiring the payment of isolated fine, whose restated amount in the past quarter corresponded to R$ 33,550. For one of the assessment notices, there was a decision fully favorable to the Company at the administrative level, and there is still a second assessment notice, not yet appreciated, estimated at R$ 5,683, for which the likelihood of loss is classified as remote;

The Company has a tax assessment notice issued by "SEFAZ/SC" due to the appropriation of "ICMS" credits on return of products stored in third-party storehouse and the reversal of "ICMS" debits in tax records, at the restated amount of R$ 13,496. The decision is pending analysis at the administrative level.

(d) Contingencies from companies acquired - Possible and probable losses (responsibility of sellers)

The Company chose not to establish provisions for the contingencies whose likelihood of loss is classified as probable and possible which are the responsibility of the selling partners. Should these losses be confirmed, the Company has contractual mechanisms for reimbursement. There are amounts payable to the selling partners which are not yet due, recorded in notes payable, which can be retained in case of losses arising from these contingencies.

Below is a summary of the contingencies and probable and possible losses which are the responsibility of the sellers:

Company and/or trademarks acquired	Possible	Probable	Total
Aprov	3,398	194	3,592
Bitufo	1,067	42	1,119
Ceil	42,011	2,179	44,190
Cosmed (Niasi) + Pom Pom	13,436	5,335	18,771
DM	25,009	4,884	29,893
Facilit	1,073	189	1,262
Farmasa	7,270	1,262	8,532
Hypermarcas	8,468	831	9,299
Inal	222	16	238
Luper	4,060	1,933	5,993
Mabesa	12,378	11,923	24,301
Mantecorp Log and IQ			
Neo Química	20,181	2,730	22,911
Sapeka	2,036	2,300	4,336
York	980	4,187	5,167
Barrene / Farmasa	2,838	7,277	10,115
	144,427	**45,282**	**189,709**

31 Adjustments to Present Value

Pursuant to Technical Pronouncement CPC 12/08 and CVM Resolution 564/08, adjustments to present value were applied to the following main liabilities:

(a) Long-term notes payable (Note 23) - Resulting from the acquisition of companies and/or assets, adjusted by foreign exchange variation or the CDI rate, but not bearing interest. The initial adjustment was calculated using the average funding rate at the date of acquisition. The corresponding entries for the initial adjustments were recorded as a reduction of the costs of the assets-goodwill, as follows:

Companies	Rates	Balance adjusted to present value	
		6/30/2011	12/31/2010
DM	7.25% p.a.		21,620
Neo Química	2.00% p.a.	2,580	4,841
NY Looks	7.73% p.a.	1,623	2,498
Inal	5.00% p.a.	8,083	10,773
Pom Pom	2.00% p.a.	6,206	7,380
Luper	2.00% p.a.	835	984
Sapeka	2.00% p.a.	2,444	855
Facilit	2.00% p.a.	1,302	1,536
Niasi/Aprov	2.00% p.a.	3,340	4,006
ASR	2.00% p.a.	163	214
Éh	2.00% p.a.		2
Sul Quimica	2.00% p.a.	115	180
Bitufo	2.00% p.a.	1,772	2,019
Pom Pom Soap brand	2.00% p.a.	301	502
Mabesa	2.00% p.a.	3,459	

(b) Payments in installments - The adjustment to present value was calculated by installment, considering the funding rate in the period when the financing was obtained (2% rate).

(c) Fomentar" and "Produzir" liabilities - The long-term debt, bearing interest of 2.4% per year, was discounted to present value, using the estimated discount observed at auctions (89%). The corresponding entry for the original adjustments was recorded in "ICMS on sales/sales deductions", since the amount financed refers to ICMS payable.

				6/30/2011
	Federal taxes payable in installments	Fomentar	Notes payable	Total
a) Recognition: ICMS expenses		14,200		14,200
b) Reversal of the adjustment to present value - interest expense	(27,366)	(516)	(99)	(27,981)

				6/30/2010
	Federal taxes payable in installments	Fomentar	Notes payable	Total
a) Recognition: ICMS expenses		11,897		11,897
b) Reversal of the adjustment to present value - interest expense	(182)	19	(25,035)	(25,198)

32 Commitments

Operating lease commitments

The minimum future operating lease payments, in total and for each of the periods stated below, are as follows:

	Consolidated	
	6/30/2011	12/31/2010
Less than one year	35,333	26,598
Later than 1 year and no later than 5 years	60,582	59,099
Later than 5 years	24,055	23,853
	119,970	109,550

Rental agreements are renewable upon expiry or have no defined maturity. These agreements are broken down as follows:

Plant/Distribution Center (CD)	Lessors	Adjustment	Adjustment in case of overdue payments	Guarantee	Monthly amount of the agreement	Start of agreement	End of agreement	Number of months	Total cost/ expense 6/30/2011
Goiânia office - Goiás State	TV Serra Dourada Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	30	2/28/10	Unspecified	36	220
CD - Maceió - SC	RS Empreendimentos e Participações Ltda	INPC - annual	INPC variation, arrears interest of 1% p.m.	Not provided for in the agreement	15	12/20/06	Unspecified	36	98
Office on the 9th floor - São Paulo - SP	Fundação Petrobras de Seguridade Social - Petros	IPCA/IBGE - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	12 times the rental	42	10/26/09	10/25/12	36	252
Office on the 5th floor - São Paulo - SP	Fundação Petrobras de Seguridade Social - Petros	IPCA/IBGE - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	12 times the rental	37	05/25/09	05/24/12	36	225
Office - São Paulo - SP	Solibem Participações Ltda	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Bank guarantee of R$ 55,830.00 for 36 months	41	05/01/09	04/30/12	36	251
CD block 7 - Cajamar - SP	LP Administradora de Bens Ltda	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Bank guarantee with twelve-month period, equivalent to three times the rental	263	05/15/09	05/15/12	36	1,761
CD block 6 - Cajamar - SP	LP Administradora de Bens Ltda	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	277	09/01/09	09/15/12	36	1,720
CD block 5 - Cajamar - SP	LP Administradora de Bens Ltda	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	0	10/08/10	10/07/13	36	1,140
CD - Contagem - MG	MRV Serviços de engenharia Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	32	01/23/07	01/22/13	36	208
Office - São Paulo - SP	Raiz Administração e Participações de Bens Ltda				3	07/05/06	Unspecified		18
CD - Porto Alegre	Alessandro de Souza Duarte	IGPM/FGV - annual	IGPM/FGV variation, interest of 1% p.m. and 10% fine	Not provided for in the agreement	5	07/01/08	Unspecified	23	36
Office - São Paulo - SP	Serpros Fundo Multipatrocinado	IGPM/FGV - annual	IGPM/FGV variation, interest of 1% p.m. and 10% fine		59	03/14/11	03/14/14	36	247
Office - São Paulo - SP	Caixa de Previdência do Funcionários do Banco do Brasil - PREVI	IGPM-DI/FGV - annual	IGP-DI/FGV variation, interest of 1% p.m. and 10% fine	Deposit totaling three times the rental	48	02/15/10	02/14/13	36	308
Plant - Juiz de Fora - MG	Neo Marcas Ind.Farmacêutica e Alimentícia Com.e Particip. Ltda	Fixed amount	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	80	03/06/06	03/06/11	60	400
Plant - São Roque SP	Adriano Dias Araújo	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	50	12/01/09	11/30/14	60	276
Plant - Garulhos - SP	M.A.R. Participações e Representações Ltda	IGPM/FGV - annual	IGPM/FGV variation, interest of 1% p.m. and 2% fine	Not provided for in the agreement	180	11/27/09	11/26/14	60	1,122
Plant - Taboão da Serra - SP	Merano participações Ltda	IPCA - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	200	10/06/08	10/06/13	60	1,281
Plant - Barueri - SP	RS Morizono - Empreendimentos e Participações Ltda	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	380	06/01/07	05/31/11	48	2,620
Plant - São Paulo - SP	Farmib Administradora de Bens Ltda	IGPM/FGV - annual	Not applicable	The property - Encartucheira,"MARCHESINI Mod. BA-400 No. 393000269 - 1994	331	12/18/06	12/17/21	180	2,144
Cosmed/Barueri	Eliver Empreendimentos Imobiliários LTDA	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 5% fine	Bank guarantee	68	08/10/10	08/09/15	60	392
Cosmed/Barueri	Fenam Participações e Administração Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 10% fine		13	03/01/11	02/28/12	12	40
CD - Contagem - MG	VIA Minas Empreendimentos Imobiliários Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	61	11/01/10	11/01/13	36	405
CD Block 2 - Extrema - MG	Extremo Sul Negócios Imobiliários Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	24	08/02/10	08/01/13	36	137
CD Block 3 - Extrema - MG	Extremo Sul Negócios Imobiliários Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	24	10/01/10	10/01/13	36	137
Manufacturing building - Brainfarma	Brainfarma Ind. Química e Farmacêutica Ltda	IGPM/FGV - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	250	05/01/11	04/30/11	36	500
Office	Borges Consultoria de Imóveis	IGPM/FGV - annual	Fine of 10%	Not provided for in the agreement	3	06/01/11	05/30/11	36	3
Plant/York	EAA Administração e Empreendimentos S.A.	IGPM/FGV - annual	Arrears interest of 2% p.m. and 1% fine	Not provided for in the agreement	250	11/11/10	11/10/15	60	1,477
DPH - São Roque	Roseli Empreendimentos Sociais S/C Ltda e PRA Empreendimentos Sociais Ltda	IGPM/FGV - annual	Fine of 10%	Not provided for in the agreement	37	10/01/08	09/30/11	36	247
DPH - São Roque	Gilberto Mazzali		Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	5	01/10/11	04/10/11	3	19
Shed I - Mantecorp Logistica	Via Rio Logística Ltda	INCC-M/FGV - monthly	Fine of 10%, daily interest of 0.25% and monthly monetary restatement at INCC-M	Not provided for in the agreement	64	04/01/10	03/31/11	12	413
Sheds A, B, C, D, E, and F - Mantercorp Logistica	Via Rio Logística Ltda	INCC-M/FGV - monthly	Fine of 10%, daily interest of 0.25% and monthly monetary restatement at INCC-M	Not provided for in the agreement	196	03/31/10	03/31/12	13	1,409
Building - Mantecorp Indústria	Betancourt Empreendimentos e Participações Ltda e Prever Empreendimentos e Participações Ltda.	IPCA/IBGE - annual	Fine of 10%	Not provided for in the agreement	225	04/01/07	03/31/12	60	1,596
Facilities 309, 310, 311 and 313 - Mantercorp Logística	Jordane Administração e Participações Ltda.	IPCA/IBGE - annual	Fine of 10%, monetary restatement plus interest of 1%	Not provided for in the agreement	1	06/01/04	Unspecified		4
Rooms 401 and 402 - Mantecorp Logística	Amélia Maria Bezerra Figueiredo Thé	Average prices practiced in the market - annual	Fine of 10%	Not provided for in the agreement	1	01/01/97	Unspecified		4
Manufacturing building - Brainfarma	Mantecorp Logística, Distribuição e Comércio S.A.	IPCA/IBGE - annual	Not provided for in the agreement	Not provided for in the agreement	41	07/22/93	12/31/20	329	323
									21,433

33 Related-party Transactions

(a) Transactions and balances

The main asset and liability balances, as well as the transactions that impacted the profit for the year, arise from transactions between the Company and its subsidiaries, which management considers to have been carried out under the usual market terms and conditions for such types of transactions.
Intercompany loans are adjusted by the variation of the Interbank Deposit Certificate (CDI) and fall due in one year.

In business transactions with related parties, prices are established considering the characteristics and nature of the transactions.

The business transactions related to the purchase and sale of products, raw materials, services and rental, as well as the financial transactions referring to intercompany loans are presented below:

(a) The rental agreement with TV Serra Dourada Ltda. is adjusted based on the IGPM - FGV variation for an indefinite period.

(b) The rental agreement with Neo Marcas Indústria Farmacêutica e Alimentos e Participações Ltda. is not adjusted for inflation and terminates in 2011.

													6/30/2011
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	**My - Agência Propaganda Ltda.**	**TV Serra Dourada Ltda.**	**Neo Marcas Ind. Farm. E Alim. e Participações Ltda.**	**Versoix Participações Ltda.**	**Luper Industria Farmaceutica Ltda.**	**Facilit Odontológica e Perfumaria Ltda.**	**Neolatina**	**IPH&C**	**Mabesa**	**Mantecorp IQ**	**Brainfarma**	**Total**
Balances													
Short-term receivables	**287**	**1**											**288**
Trade receivables	287	1											288
Long-term receivables		**79**						**28**	**2,034**	**99**			**2,240**
Intercompany loans		79						28	2,034	99			2,240
Current liabilities	**(13,662)**										**(91,352)**	**(24,198)**	**(129,212)**
Trade payables	(13,662)										(91,352)	(24,198)	(129,212)
Long-term liabilities	**(416)**										**(457)**	(752)	**(1,625)**
Intercompany loans	(416)										(457)	(752)	(1,625)
Transactions	**(524,735)**	**(750)**				**(7,642)**			**(15,949)**		**(437,802)**	**(101,370)**	**(1,088,248)**
Sales of goods/ products	310												310
Purchases of goods/ products	(525,045)	(750)				(7,642)			(15,949)		(437,802)	(101,370)	(1,088,558)
Sundry expenses/revenues		**(900)**	**(3,222)**	**(400)**									**(4,522)**
Advertising		(900)	(3,002)										(3,902)
Rentals			(220)	(400)									(620)
Interest on intercompany loans	**1,416**	**2**				**49**				**578**		**83**	**2,128**
Finance costs		(1)											(1)
Finance income	1,416	3				49				578		83	2,129

										12/31/2010
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	**My - Agência Propaganda Ltda.**	**TV Serra Dourada Ltda.**	**Neo Marcas Ind. Farm. E Alim. e Participações Ltda**	**Versoix Participações Ltda.**	**Luper Industria Farmaceutica Ltda.**	**Facilit Odontológica e Perfumaria Ltda.**	**York**	**Neolatina**	**Total**
Balances										
Short-term receivables	**81**	**2**								**83**
Trade receivables	81	2								83
Long-term receivables	**1,566**					**1,258**	**269**	**1,550**	**38**	**4,681**
Intercompany loans	1,566					1,258	269	1,550	38	4,681
Current liabilities	**(83,689)**	**(150)**								**(83,839)**
Trade payables	(83,689)	(150)								(83,839)
Long-term liabilities		**(43)**			**(95)**					**(138)**
Intercompany loans		(43)			(95)					(138)
Transactions	**(164,650)**					**(2,505)**				**(167,155)**
Sales of goods/ products	281					10				291
Purchases of goods/ products	(164,931)					(2,515)				(167,446)
Sundry expenses/revenues		**(1,800)**	**(7,295)**	**(1,098)**						**(10,193)**
Advertising		(1,800)	(6,875)							(8,675)
Rentals			(420)	(1,098)						(1,518)
Interest on intercompany loans	**179**	**(7)**			**(6)**	**67**	**6**	**12**	**1**	**252**
Finance costs	(46)	(10)			(6)					(62)
Finance income	225	3				67	6	12	1	314

(b) Key management compensation

Key management includes directors and officers, members of the Executive Committee, and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	6/30/2011	6/30/2010
Salaries and other short-term employee benefits	21,303	20,095
Officers' fees	221	221
Share-based payments	9,803	5,278
	31,327	25,594

* * *

DIRECTORS' STATEMENT ON REPORT OF INDEPENDENT AUDITORS

In accordance with section V of article 25 of CVM Instruction No. 480 of December 7, 2009, the Board states that reviewed, discussed and agreed with the report of Independent Auditors on the Company's Financial Statements for the quarter that has ended in 30 June 2011, issued today.

São Paulo, August 3, 2011.

Claudio Bergamo dos Santos
Chief Executive Officer (CEO)

Nelson José de Mello
Executive President

Martim Prado Mattos
Chief Financial, Administrative and Investor Relations Officer (CFO and IRO)

Carlos Roberto Scorsi
Chief Operations Officer (COO)

Gabriela Bueno Garcia
Strategic Executive Director

Antônio Carlos Vanzelotti
Executive Director of Controlling

DIRECTORS' STATEMENT ON THE FINANCIAL STATEMENTS

In accordance with section VI of Article 25 of CVM Instruction No. 480 of December 7, 2009, the Board of Executive Officers' states that reviewed, discussed and agreed with the Company's Financial Statements for the quarter that has ended in June 30, 2011.

São Paulo, August 3, 2011.

Claudio Bergamo dos Santos
Chief Executive Officer (CEO)

Nelson José de Mello
Executive President

Martim Prado Mattos
Chief Financial, Administrative and Investor Relations Officer (CFO and IRO)

Carlos Roberto Scorsi
Chief Operations Officer (COO)

Gabriela Bueno Garcia
Strategic Executive Director

Antônio Carlos Vanzelotti
Executive Director of Controlling

Hypermarcas reports 2Q11 Net Revenue of R$936.6 million, EBITDA of R$220.5 million

São Paulo, August 15, 2011 – Hypermarcas S.A. (BM&FBovespa: HYPE3; Reuters: HYPE3.SA; Bloomberg: HYPE3 BZ) has announced its results for 2Q11. Financial data shown here are taken from consolidated financial statements of Hypermarcas S.A., prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Highlights

- **Net Revenue growth of 25.4% against 2Q10 and -0.6% against 2Q10RB[(1)].**
- **Gross Margin of 60.5%** showed a 4.7 percentage point increase against 2Q10.
- **EBITDA [(2)] of R$220.5 million,** up by 38.6% against 2Q10 , and 9.2% against 2Q10RB, with a 23.5% margin.
- **Operating Cash Flow of R$139.4 million,** up by 253.6% against 2Q10.

Table 1

(R$ million)	1H10	1H11	Δ	2Q10	2Q11	Δ
Net Revenue	1,394.3	1,781.9	*27.8%*	746.7	936.6	*25.4%*
Gross Profit	791.3	1,092.0	*38.0%*	416.9	566.5	*35.9%*
Gross Profit Margin	*56.8%*	*61.3%*	*4.5 p.p.*	*55.8%*	*60.5%*	*4.7 p.p.*
EBITDA [(2)]	**328.2**	**435.2**	***32.6%***	**159.1**	**220.5**	***38.6%***
EBITDA Margin	*23.5%*	*24.4%*	*0.9 p.p.*	*21.3%*	*23.5%*	*2.2 p.p.*
Cash Earnings [(3)]	**249.6**	**243.7**	***-2.4%***	**123.5**	**120.6**	***-2.4%***
Cash Earnings Margin	*17.9%*	*13.7%*	*-4.2 p.p.*	*16.5%*	*12.9%*	*-3.7 p.p.*
Operating Cash Flow	174.8	170.7	*-2.4%*	39.4	139.4	*253.6%*
Net Income	99.8	86.2	*-13.6%*	44.6	53.3	*19.4%*
Net Debt [(4)]	1,436.2	2,756.4		1,436.2	2,756.4	
Cash & Equivalents	1,246.3	2,846.9		1,246.3	2,846.9	

(1) "Reference Base" ("RB") equivalent to Hypermarcas' 2Q10 result plus results of the acquired companies as if they had been consolidated on 01/01/2010 for reference on the same basis with 2Q11 . Refer to Disclaimer on page 23.

(2) EBITDA before R$15.1 million of non-recurring expenses and R$3.9 million of other non-cash expenses. Refer to EBITDA reconciliation table on page 17.

(3) Cash Earnings = EBITDA (R$220.5 million) - Depreciation (16.5 million) - Amortization (6.9 million) + financial revenue (R$68.5 million) - interest expense (R$145.0 million).

(4) Refer to Net Debt section on page 20.

Operations

In the second quarter of 2011, Hypermarcas continued its consolidation program in order to improve its profitability and operational cash flow, finalized the integration of acquired companies (especially Mantecorp) and implemented a broad program of improvements. In the quarter, the Company reached Net Revenue of R$ 936.6 million, EBITDA of R$220.5 million, representing a 38.6% increase against 2Q10, and 9.2% organically, and Operating Cash Flow of R$139.4 million, 3.5x higher than the observed in 2Q10.

MACROECONOMIC SCENARIO

The second quarter of 2011 was characterized by several economic uncertainties, both in the national level, as well as in international extent. In the domestic market, the government initiatives of increasing interest rates to hold down inflation, associated with an increase in Brazilian families indebtedness and the decline of purchasing power in real terms, created a big concern and risk aversion in the market, which led economic agents to reduce its investment pace in one side, and to postpone purchase decisions, on the other hand. This feeling, despite not affecting significantly the demand of markets where Hypermarcas is present (refer to charts 1 and 5), created monthly sales volatility, that may continue throughout the year, depending on government´s decision regarding economic policy.

In the global market, the uncertainties are even higher, mainly to the big economic blocks of developed countries: USA – political and fiscal crisis, slow economic recovering and trend to another recession; Europe – sovereign debt crisis and necessity of reducing the fiscal deficit, which could lead to a long cycle of low growth; Japan – maintenance of low or negative growth rates, potentialized by natural disasters. In the emerging economies, and especially in China, the perspectives are challenging due to inflationary pressures.

OUTLOOK

As per 1Q11 Earnings Release, the year started with slower growth pace: ”a disrupting inflation scenario and an interest rate increase policy (…)an eventual deterioration of the macroeconomic scenario”.

As a preventive action, since the first quarter, the Company adopted a series of measures to protect itself from an eventual economic deterioration, taking advantage from its moment of consolidating the companies acquired in 2009-2010. In the 1Q11 Earnings Release it was mentioned that *“the Company began the 2011 fiscal year with a more conservative operational plan, as a precautionary measure against an eventual deterioration of the macroeconomic scenario. During this first quarter of 2011, Hypermarcas adopted a series of measures in this connection, such as (i) the adoption of a more restrictive commercial policy of price increase and reduction of the term of credit sales to its clients; (ii) reduction of expenses; (iii) reduction of the additional marketing investment budget (marpex); (iv) reduction of safety inventories and (v) more rigid investment approval criteria (with a focus on quicker return).”*

This plan, which was maintained in 2Q11, currently seems even more correct and will be maintained until the end of the fiscal year, given the deterioration of macroeconomic conditions, the increase of uncertainties and the lack of visibility regarding the domestic and international future macroeconomic scenario. In the 2Q11, this strategy already started to show its results, with an operating cash flow generation of R$139.4 million, quite higher than last quarters, and an increase in operating profitability of 2.2 p.p. of Net Revenue, measured by EBITDA.

The Company´s reiterates, thus, that will maintain the implementation of its defensive strategy of focusing in cash generation throughout the year of 2011, until the abovementioned aspects become clearer.

NEW PHASE OF PHARMA BUSINESS UNIT

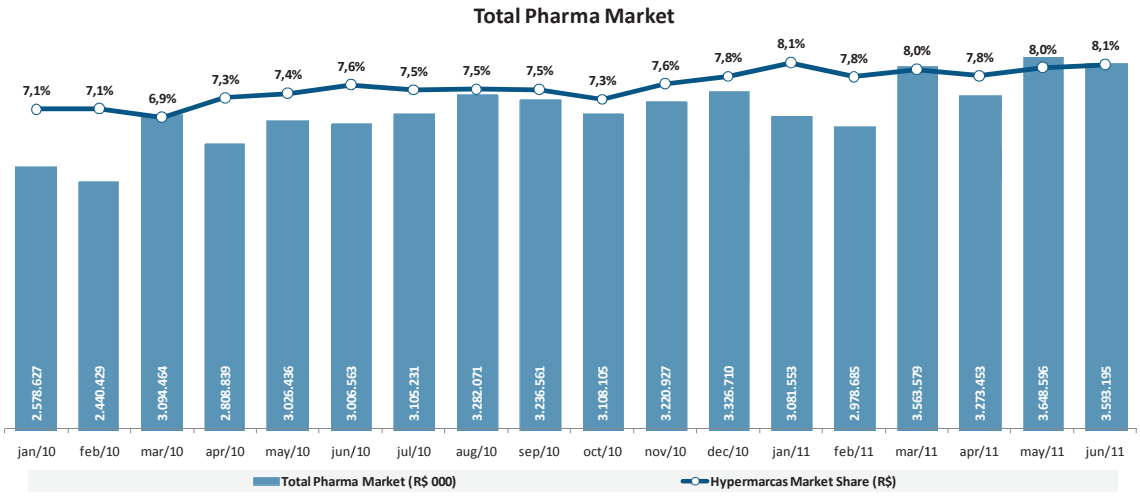
Apart from the general plan for the Company, in the Pharma Business Unit the quarter was characterized by the completion of a series of strategic restructuring initiatives that were being implemented, leading this BU to a strong competitive position in order to pursue sustainable growth associated with high profitability levels in the mid and long terms: (i) in April, the integration of the new medical sales representatives team was finalized, which now visits 150 thousand doctors per month (against 90 thousand previously); (ii) in July, the integration of pharmacies sales team was finalized, which now visit more than 23 thousand pharmacies in Brazil (against 9 thousand previously) of a total of over 55 thousand, representing approximately 80% of the country's sales weighted value; (iii) in July, the consolidation (iii) in July, it was completed the consolidation of new production site in Anápolis (Magnum Project), with production beginning in the first week of August, this site will have 90,000 square meters of production / logistics, production capacity approximately 10 billion tablets/year, and one of the most modern facilities in the country, (iv) launch of 21 new products in 2Q11 and 39 in the year, and another 64 products awaiting approval at ANVISA.

These initiatives have considerably strengthened the competitive position of the BU Pharma, consolidating not only as the greatest and the best portfolio of businesses and brands, but also with the best structure of demand generation and direct sales to the POS, changing the balance of forces in the chain of national pharmaceutical industry.

In the quarter, the BU has reached a Net Revenue of R$484.7 million, representing a total growth of 46.4% and organic growth in the sell-in of 5.3%.

In terms of market share, the Company has remained around 8% throughout the semester, demonstrating that the strategy of deploying a more profitable trade policy did not impact the market performance of the Company, as follows:

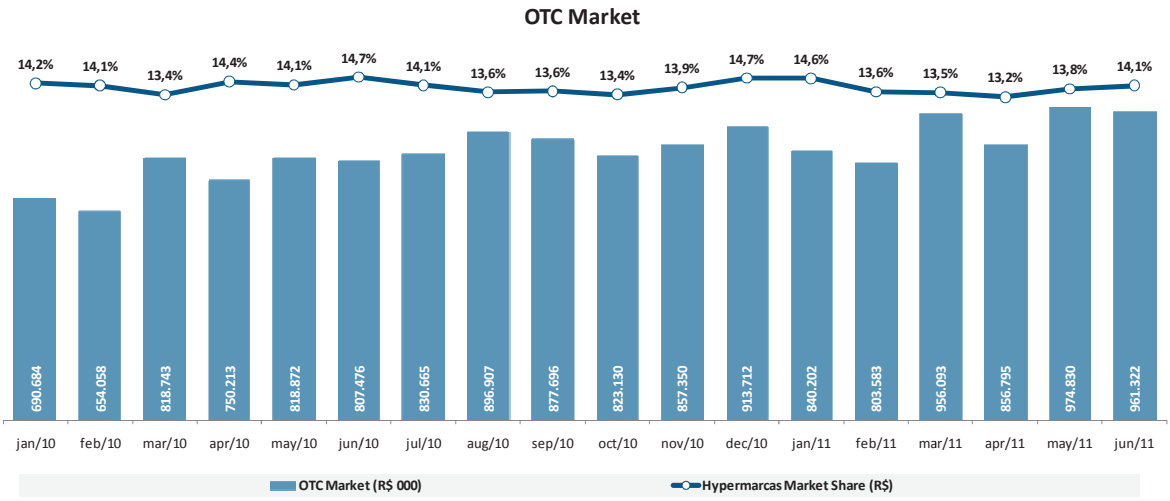
Chart 1



Source: IMS Health Brasil – June 2011.

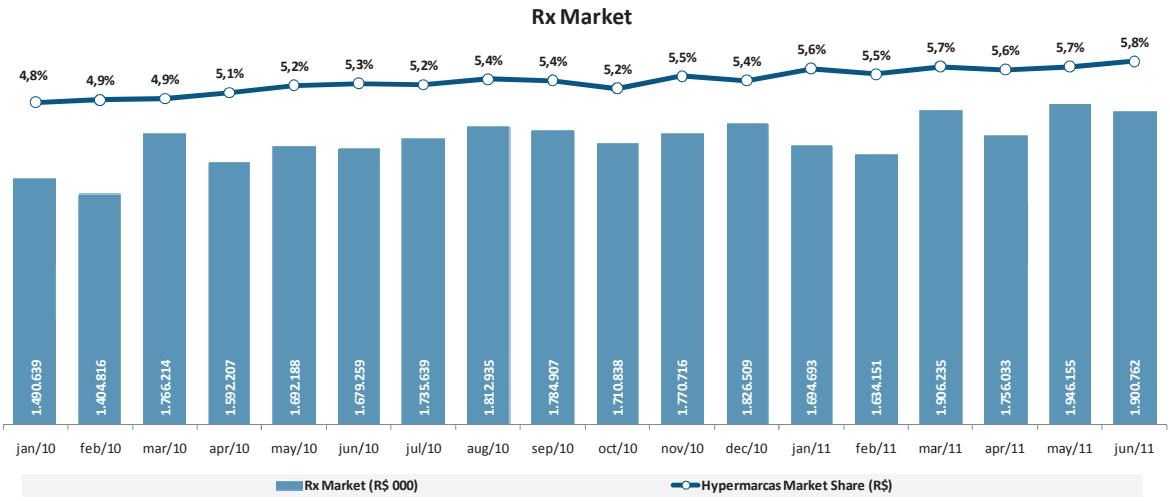
The non-continued growth in market share was due to a small decline in generics market share, mainly due to increased competitiveness of some players.

Chart 2



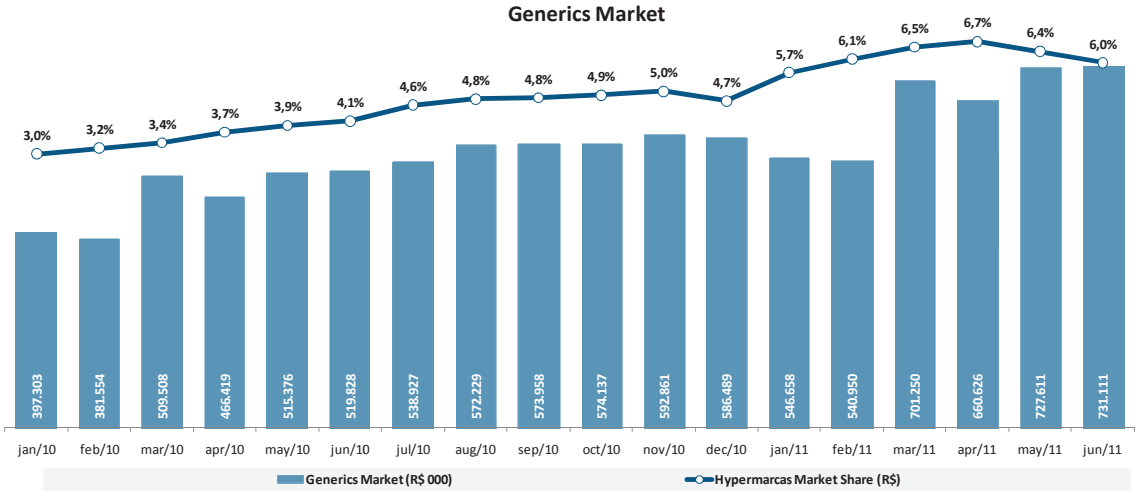
Source: IMS Health Brasil – June 2011.

Chart 3



Source: IMS Health Brasil – June 2011.

Chart 4



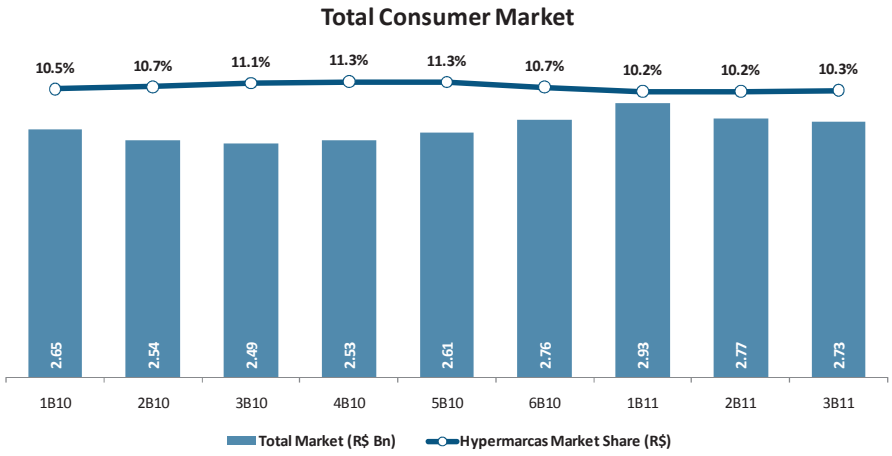
Source: IMS Health Brasil – June 2011.

CONSUMER BUSINESS UNIT

In the Consumer BU, the division of Personal Care achieved a Net Revenue of R$377.2 million, representing a total growth of 16.4% and -3.4% organic. In Home Care and Food, Net Revenue was R$74.7 million, representing a reduction of 18.3%.

Due to these markets nature, which have a distribution range much broader than in Pharma (more than 600 thousand POS), implementation of the new and more profitable commercial policy takes more time. The reason for this is that a big part of the Consumer sales is made through the indirect channel (wholesalers and distributors) which, in the situation of facing price increases, set their own selling prices slowing inventory turnover of Hypermarcas products. On the other hand, sell-out demand of Hypermarcas products and brands is very healthy, maintaining market share in the first three marking periods (2 months period) of 2011 around 10%.

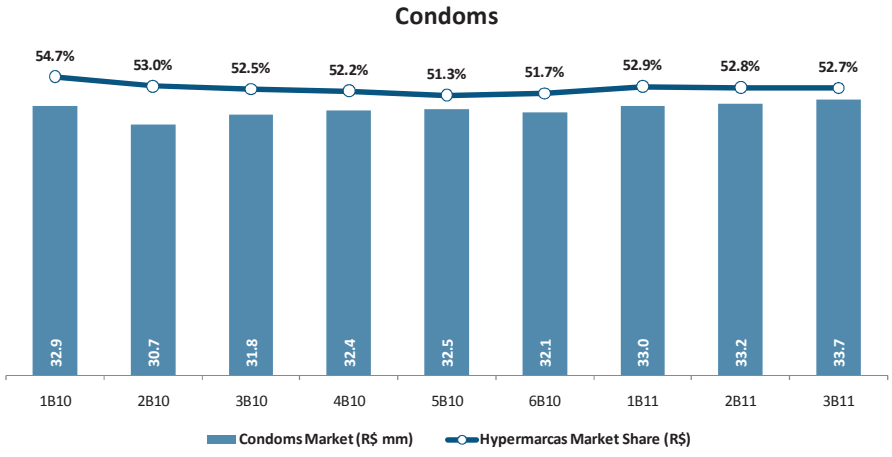
Chart 5



Source: AC Nielsen - Retail Index – June 2011 (only considers segments in which Hypermarcas is present)

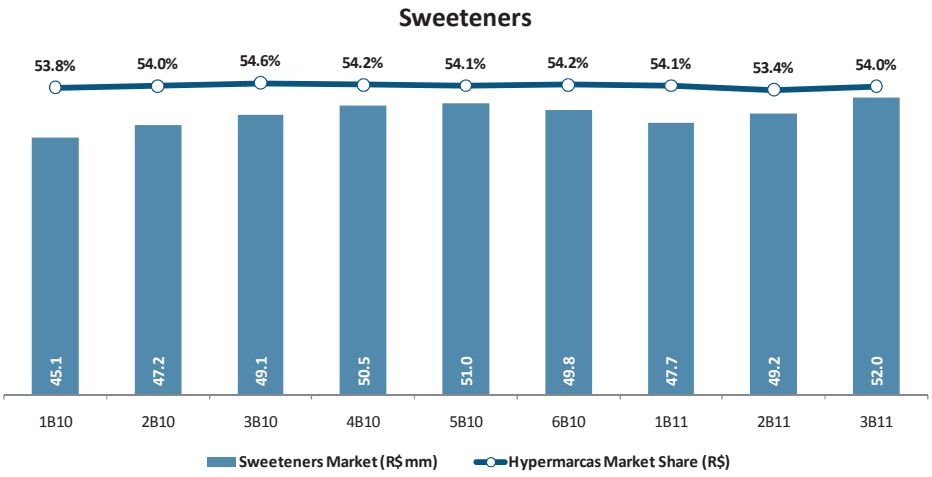
This market share trend can be observed in almost all of the main markets of the Company, as seen below, except in nail polish that, in spite of the huge growth observed in 2010, presented market share fall due to the increase of new players in the segment.

Chart 6



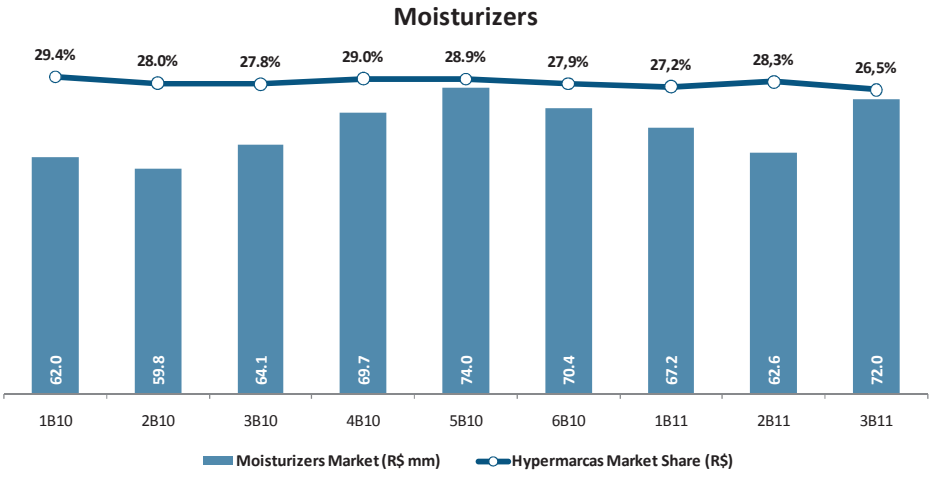
Source: AC Nielsen - Retail Index – June 2011.

Chart 7



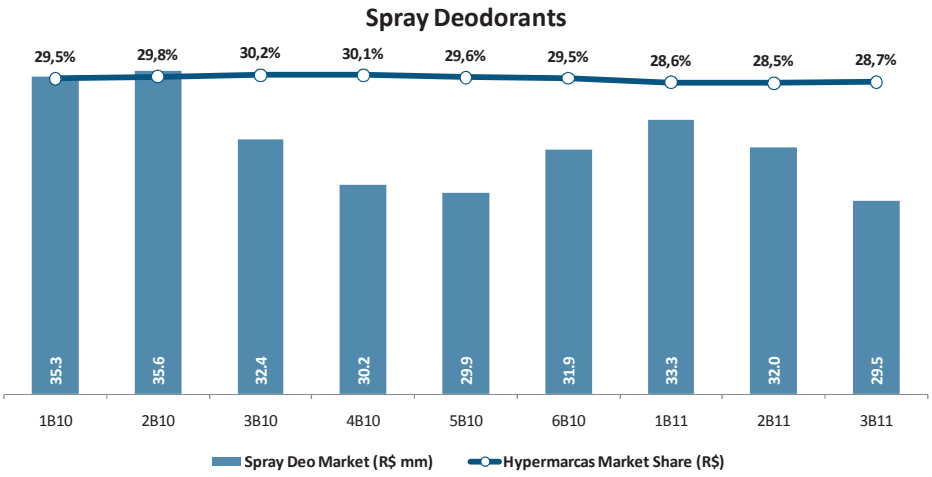
Source: AC Nielsen - Retail Index – June 2011.

Chart 8



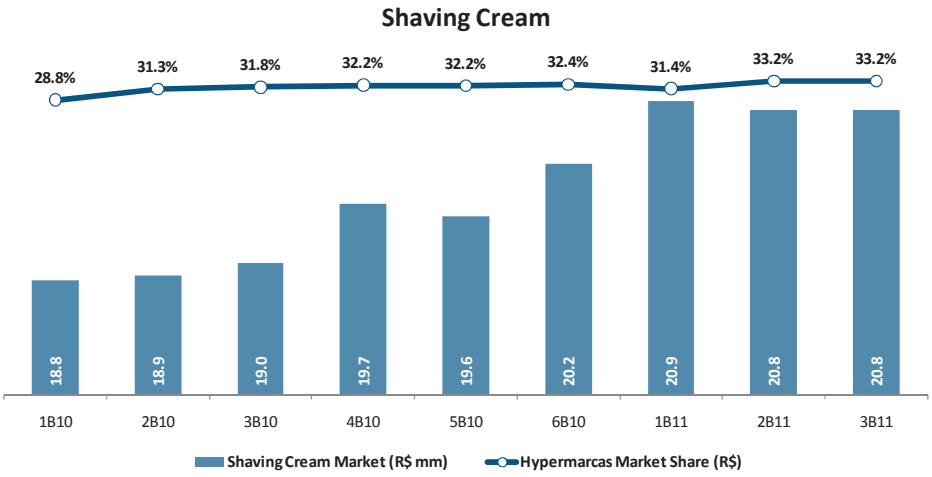
Source: AC Nielsen - Retail Index – June 2011.

Chart 9



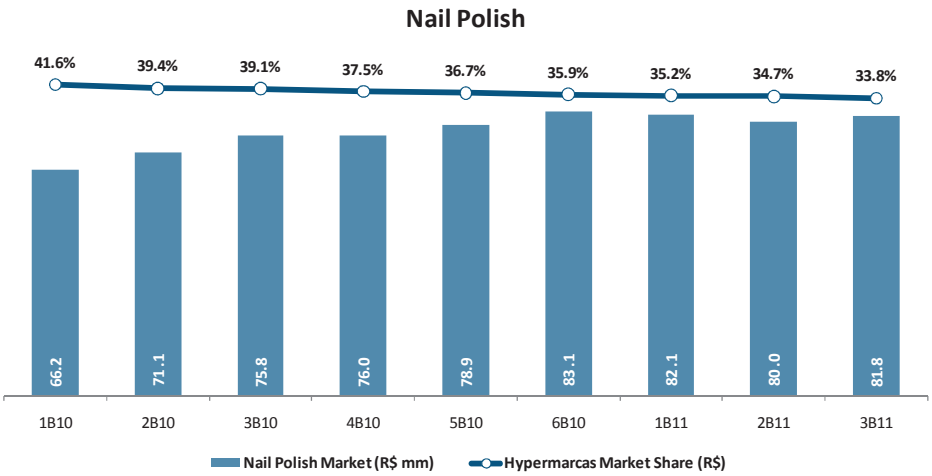
Source: AC Nielsen - Retail Index – June 2011.

Chart 10



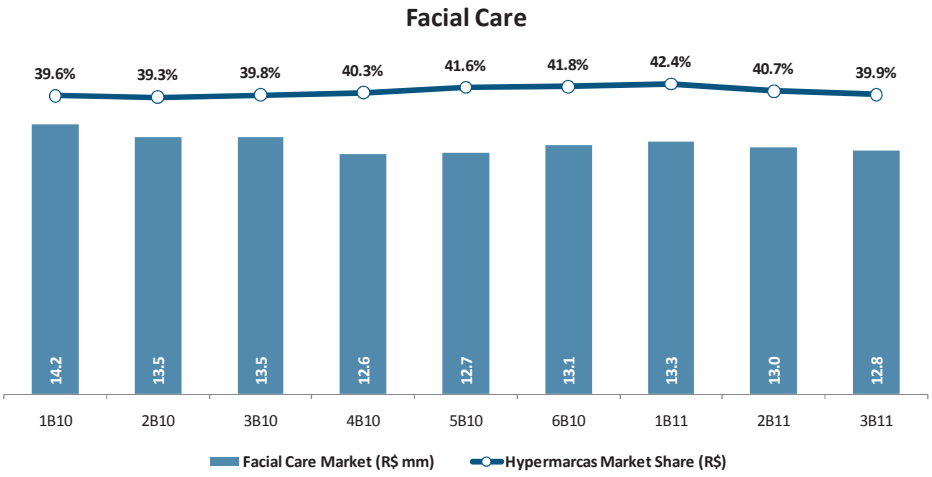
Source: AC Nielsen - Retail Index – June 2011.

Chart 11



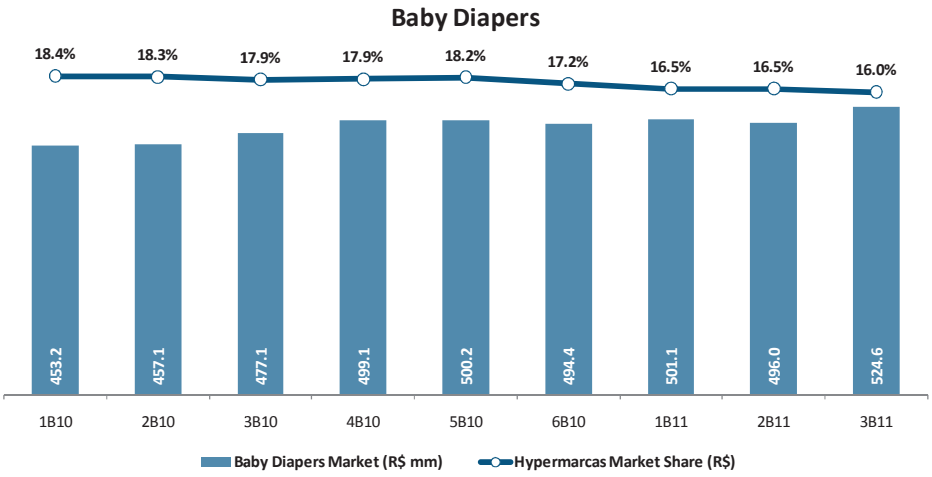
Source: AC Nielsen - Retail Index – June 2011.

Chart 12



Source: AC Nielsen - Retail Index – June 2011.

Chart 13



Source: AC Nielsen - Retail Index – June 2011.

INTEGRATION AND SYNERGIES

The 2Q11 was marked by the completion of all the synergies and integration initiatives of Mantecorp, Magnum Project and Mabesa. With this, Hypermarcas increased the implemented synergies to 84% of the potential value of R$257 million. The seizing of these synergies should follow the schedule below.

Table 2 *(not audited)*

SYNERGIES SEIZING SCHEDULE *(R$ million)*			
Period	**Potential**	**Implemented**	**Captured**
1st Half of 2011	257	217	111
2nd Half of 2011	257	257	180
1st Half of 2012	257	257	257

[1] Potential – Estimates of costs and expenses reductions, in annual basis.

[2] Implemented – Amount of potential synergies whose initiatives of implementation have already been performed, in annual basis.

[3] Captured –Amount of implemented synergies whose costs and expenses reductions have already been observed in the results, in annual basis.

Nowadays, Hypermarcas has seven different sales forces, which do not have unified and standardized sales policies. The sales force integration process is still in course, with an expectation of completion by the end of 2011. Although it does not involve significant cost cuts, once completed, it will contribute to improve the sales dynamic among Hypermarcas team´s and its clients.

OPERATIONS AND PLANTS

The 2Q11 was marked by the completion of transferring the Barueri (Ex-DM) and Nova Iorque Street (Ex-Farmasa) production lines to Anápolis, and starting to produce already in August. Several employees of both sites, in agreement to local unions, were disconnected with a severance package and the Company should give back

definitely to lenders the Nova York Street plant, by the end of September and Barueri´s plant, until the end of November.

In parallel, throughout the second quarter, Hypermarcas has structured a consolidation plan of Beauty and Personal Care operations. Through this plan, several other operations should be consolidated in a new site in Senador Canedo – GO, supported by a new Distribution Center under construction in Goiânia – GO. This new project, entitled Matrix Project, should be completed in December of 2012, bringing important benefits to the Company, once this region has labor and energy costs significantly lower than other locations, as well as including scale and productivity gains, higher control and relevant fiscal benefits.

Furthermore, this consolidation will allow a significant simplification of the Company´s operational structure as it will: reduce the number of plants from 23 to 6; provide logistic improvements; and reduce the services and support structures. Upon that, Hypermarcas will be able to offer a higher level of service to its clients.

MERGERS AND ACQUISITIONS

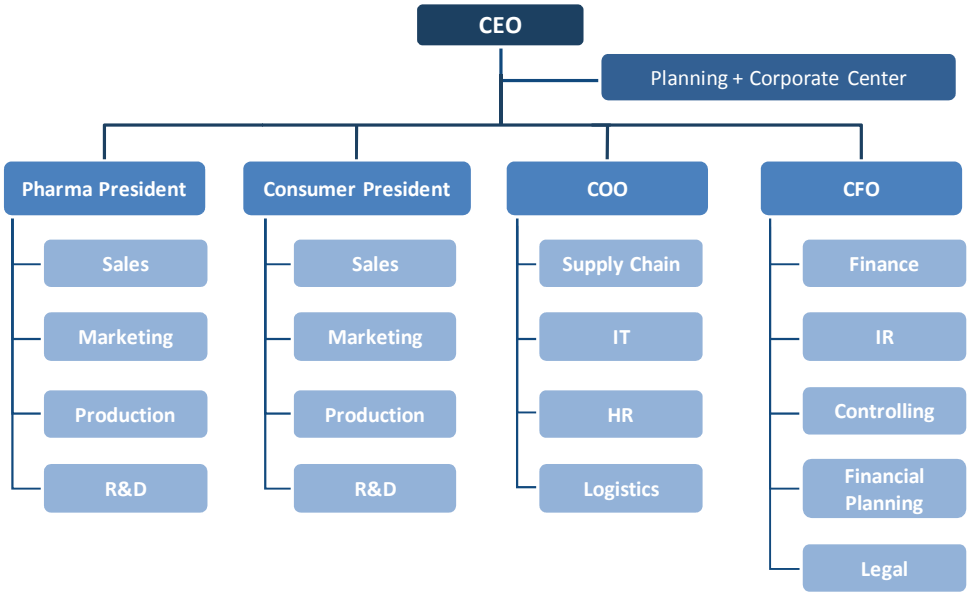
In light of the Company´s focus on consolidating and stabilizing the businesses acquired by the beginning of the year, Hypermarcas is not considering new acquisitions.

NEW ORGANIZATIONAL STRUCTURE

The Company informs that, as of August 2011, it will start working with an organizational structure based on Business Units. Two Business Units (BUs) will be created, one for Pharma, that will cover all businesses related to drugs, including OTCs, and another for Consumer, that will cover all businesses regarding consumer (HPC), including Cosmetics, Diapers, Home Care and Food.

These Business Units will be responsible for its respective EBITDAs, and should include the marketing, sales, production and R&D functions. In parallel, two services areas will be maintained: (i) General Operations Board (COO), that will include the Logistics, Supply Chain, HR and IT functions, and (ii) General Financial Board (CFO), that will include Finance, Financial Planning, Controlling, IR and Legal functions.

The top management structure will be according to the chart below:



Mr. Nelson Mello, the current Commercial President, will assume the Consumer Presidency and Claudio Bergamo (CEO), will temporarily accumulate the Pharma Presidency. Mr Carlos Scorsi will be responsible for the General Operations Board (COO) and Mr. Martim Mattos will continue as CFO.

Hypermarcas believes that this structure will allow better business coordination, with improvements in the execution of its strategic plans.

LIQUIDITY AND INDEBTEDNESS

Hypermarcas ended 2Q11 with a very healthy financial position. Net Debt was R$2.8 billion and the cash position was R$2.8 billion, enough to meet all financial commitments until the beginning of 2014. Of the total amount of R$5.6 billion in Gross Debt, the exposure to exchange-rate variation net of hedges was 21%, totally concentrated on the payment of the recently issued Bond principal, maturing in 2021.

Company´s leverage ended 2Q11 with a 3.5x Net Debt / EBITDA* multiple and with an interest coverage ratio of 3.4x EBITDA / Net Interest Expenses**, below the limits required by the covenant for the commitments in Brazilian Reais and below the limit of 4.25 x Net Debt / EBITDA *** required by the covenant required for the Bond issued by Hypermarcas.

** According to the calculation methodology of this covenant, it is defined as EBITDA = EBIT + Depreciation and Amortization. It should be considered the greatest value between last 12 months EBITDA or the last quarter EBITDA annualized. The measurement of the covenant is given every semester and it is only broken when leverage exceeds 3.75x for two consecutive semesters.*

***According to the calculation methodology of this covenant, it is defined as EBITDA = EBIT + Depreciation and Amortization. It should be considered the last 12 months EBITDA. The measurement of the covenant is given every semester and it is only broken when interest coverage is less than 2x for two consecutive semesters.*

**** According to the calculation methodology of this covenant, it is defined as EBITDA = EBIT + Depreciation and Amortization + Non-cash expenses + Non-recurring expenses. The measurement of the covenant is given every quarter and consider the pro-forma EBITDA for acquisitions in the last 12 months.*

GUIDANCE

In line with the best corporate governance practices, the Company seeks to update its guidance to the market according to their perspectives and projections.

Hypermarcas understands that the perspectives considered in the previous guidance formulation of above R$1 billion in EBITDA for 2011 have changed, including (i) material worsening in the macroeconomic outlook, (ii) more time needed than originally expected for the sales force restructuring, and (iii) more time than originally planned for the inventory levels adjustment in the chain.

Considering this new scenario, the revised EBITDA guidance for the year of 2011 is of approximately R$900 million.

Discussion of Results

Income Statement

The following is a summary of Hypermarcas' Income Statement:

Table 3

INCOME STATEMENT *(R$ million)*	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
Net Revenue	**1,394.3**	***100.0%***	**1,781.9**	***100.0%***	***27.8%***	**746.7**	***100.0%***	**936.6**	***100.0%***	***25.4%***
Gross Profit	**791.3**	***56.8%***	**1,092.0**	***61.3%***	***38.0%***	**416.9**	***55.8%***	**566.5**	***60.5%***	***35.9%***
Sales Expenses	(206.2)	*-14.8%*	(334.1)	*-18.8%*	*31.9%*	(114.4)	*-15.3%*	(168.8)	*-18.0%*	*24.2%*
Marketing	(269.4)	*-19.3%*	(355.4)	*-19.9%*	*62.1%*	(168.9)	*-22.6%*	(209.8)	*-22.4%*	*47.6%*
General and Administrative Expenses	(89.9)	*-6.4%*	(144.2)	*-8.1%*	*60.5%*	(43.9)	*-5.9%*	(74.5)	*-8.0%*	*69.8%*
Other Operational Net Expenses	44.9	*3.2%*	69.6	*3.9%*	*55.0%*	29.0	*3.9%*	64.6	*6.9%*	*122.3%*
EBIT	**270.7**	***19.4%***	**327.9**	***18.4%***	***21.1%***	**118.8**	***15.9%***	**178.0**	***19.0%***	***49.9%***
Net Financial Expenses	(105.4)	*-7.6%*	(148.1)	*-8.3%*	*40.5%*	(43.8)	*-5.9%*	(67.2)	*-7.2%*	*53.3%*
Income Tax and CSLL	(65.5)	*-4.7%*	(93.7)	*-5.3%*	*43.1%*	(30.3)	*-4.1%*	(57.6)	*-6.1%*	*89.9%*
Net Income (loss)	99.8	*7.2%*	86.2	*4.8%*	*-13.6%*	44.6	*6.0%*	53.3	*5.7%*	*19.4%*
EBITDA [(2)]	**328.2**	***23.5%***	**435.2**	***24.4%***	***32.6%***	**159.1**	***21.3%***	**220.5**	***23.5%***	***38.6%***
Cash Earnings	249.6	*17.9%*	243.7	*13.7%*	*-2.4%*	123.5	*16.5%*	120.6	*12.9%*	*-2.4%*
Cash Earnings per Share	**0.49**		**0.40**		**(0.09)**	**0.23**		**0.19**		**(0.04)**

The main costs involved in Hypermarcas activities relate to raw materials, packaging and manufacturing. The most significant expenses as part of the Company's strategy of investing in its brands relate to marketing expenses.

Net Revenue

Net revenue in 2Q11 was R$936.6 million, 25.4% higher than the 2Q10 number and 0.6% lower than the 2Q10RB. Cumulative 1H11 Net Revenue of R$1,781.9 million was 27.8% higher than 1H10 and 2.0% below 1H10RB.

Chart 14

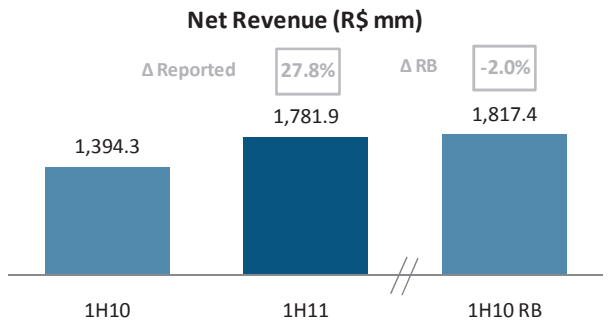
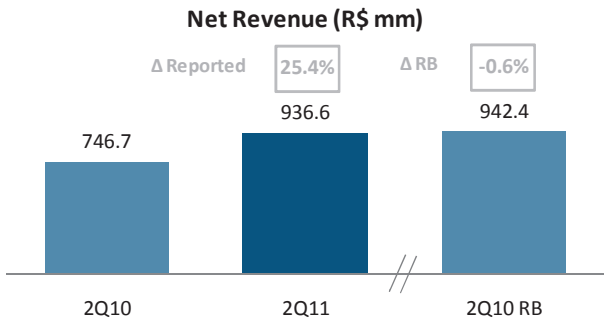


Chart 15



By segment, 2Q11 growth was 16.4% against 2Q10 for Personal Care, 46.4% for Pharma, and -18.3% for Home Care and Food, while these segments' 1H11 growth numbers against 1H10 were 32.0%, 36.8%, and -22.5% respectively.

Considering 2Q10RB, growth was -3.4% in Personal Care, 5.3% in Pharma, -18.3% in Home Care and Food, while in 1H11, growth against 1H10RB was -3.1%, 2.7% and -22.5%, respectively.

Table 4

R$ million	1H10		1H11		Δ	1H10 RB [1]		Δ RB
Personal Care	522.2	37.4%	689.4	38.7%	*32.0%*	711.6	39.2%	*-3.1%*
Pharma	702.0	50.3%	960.6	53.9%	*36.8%*	935.6	51.5%	*2.7%*
Home Care and Food	170.2	12.2%	131.9	7.4%	*-22.5%*	170.2	9.4%	*-22.5%*
Total	**1,394.3**	**100.0%**	**1,781.9**	**100.0%**	***27.8%***	**1,817.4**	**100.0%**	***-2.0%***

R$ million	2Q10		2Q11		Δ	2Q10 RB [1]		Δ RB
Personal Care	324.1	43.4%	377.2	40.3%	*16.4%*	390.5	41.4%	*-3.4%*
Pharma	331.1	44.3%	484.7	51.7%	*46.4%*	460.5	48.9%	*5.3%*
Home Care and Food	91.4	12.2%	74.7	8.0%	*-18.3%*	91.4	9.7%	*-18.3%*
Total	**746.7**	**100.0%**	**936.6**	**100.0%**	***25.4%***	**942.4**	**100.0%**	***-0.6%***

In terms of each BU's weighting in our total revenue for 2Q11, Pharma accounted for 52%, B&PC 40%, and HC&F 8%. In 1H11, the same BUs contributions to our total revenue amounted to 54%, 39% and 7% respectively, as shown below:

Chart 16

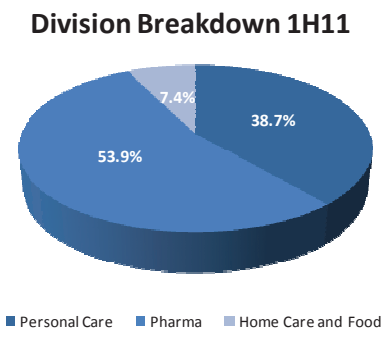
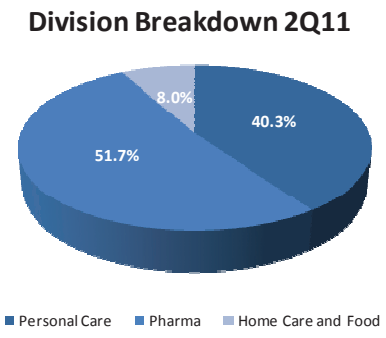


Chart 17



Gross Margin

In 2Q11, gross margin was 60.5%, 4.7 p.p. higher against 2Q10 and 3.0 p.p. higher against the 2Q11RB. In 1H11, it were 61.3%, 4.5 p.p. higher against 1H10 and 4.2 p.p. higher against 1H11RB.

Chart 18

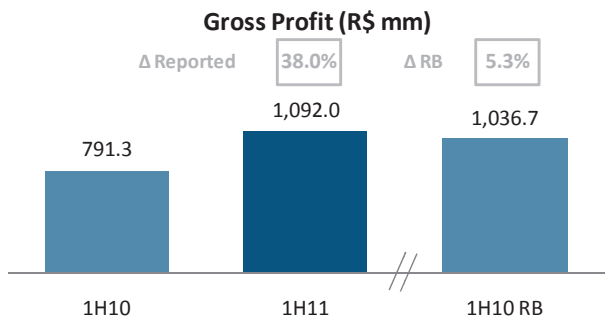


Chart 19

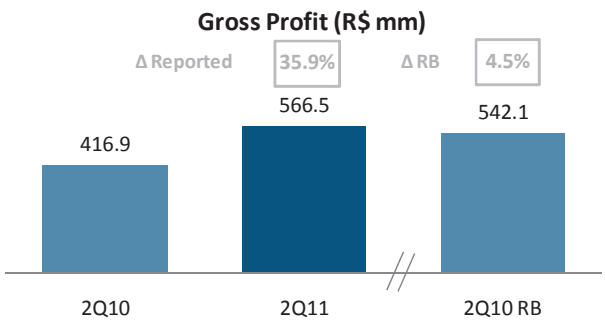


Chart 20

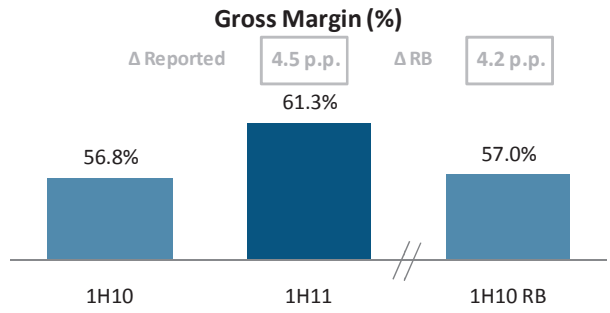
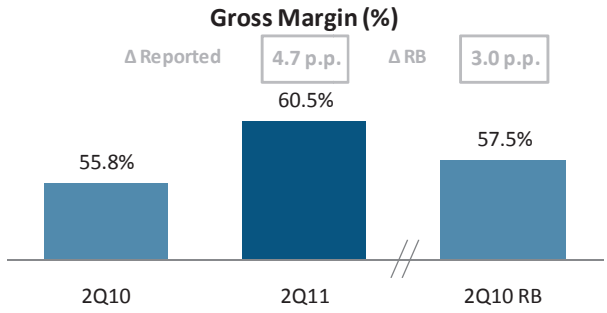


Chart 21



Pharma's gross margin in 2Q11 was 75.9%, 9.1 p.p. higher than 2Q10 and 6.5 p.p. higher than 2Q10RB; Beauty and Personal Care posted 46.2%, 2.1 p.p. lower against 2Q10 and 0.8 p.p. lower against the 2Q10RB; Home Care and Food posted 32.6%, 10.1 p.p. lower against 2Q10.

In 1H11, Pharma's gross margin was 74.2%, 7.6 p.p. higher against 1H10 and 6.0 p.p. higher against the 1H10RB; Beauty and Personal Care posted 48.9%, 0.4 p.p. higher against 2Q10 and 2.8 p.p. higher against the 1H10RB; and Home Care and Food posted 32.1%, 9.5 p.p. smaller against 1H10.

Table 5

% margin	1H10		1H11		Δ	1H10 RB [1]		Δ RB
Personal Care	252.9	48.4%	336.9	48.9%	*0.4 p.p.*	327.9	46.1%	*2.8 p.p.*
Pharma	467.6	66.6%	712.7	74.2%	*7.6 p.p.*	638.0	68.2%	*6.0 p.p.*
Home Care and Food	70.8	41.6%	42.4	32.1%	*-9.5 p.p.*	70.8	41.6%	*-9.5 p.p.*
Total	**791.3**	**56.8%**	**1,092.0**	**61.3%**	***4.5 p.p.***	**1,036.7**	**57.0%**	***4.2 p.p.***

% margin	2Q10		2Q11		Δ	2Q10 RB [1]		Δ RB
Personal Care	156.5	48.3%	174.2	46.2%	*-2.1 p.p.*	183.5	47.0%	*-0.8 p.p.*
Pharma	221.4	66.9%	367.9	75.9%	*9.1 p.p.*	319.6	69.4%	*6.5 p.p.*
Home Care and Food	39.0	42.7%	24.4	32.6%	*-10.1 p.p.*	39.0	42.7%	*-10.1 p.p.*
Total	**416.9**	**55.8%**	**566.5**	**60.5%**	***4.7 p.p.***	**542.1**	**57.5%**	***3.0 p.p.***

The rise of over 3 p.p. in profitability was primarily due to (i) better pricing policy; (ii) better costs due to gains of scale from acquisitions; (iii) better sales mix compared with 2Q10; (iv) despite the drop in margin shown in the Home Care and Food BU, which was also related to an increase in idle capacity at its plants and (v) despite the Beauty and Personal Care line's 0.8 p.p. loss against the 2Q10RB after a one-time adjustment to its Sapeka's costing system on migrating to SAP.

Marketing Expenses

Marketing expenses in 2Q11 were R$209.8 million or 22.4% of Net Revenue, of which R$97.8 million was spent on advertising, R$48.7 million on trade deals, R$35.4 million on samples and promotions to the points of sale, and R$28.0 million on the medical sales representatives.

Marketing expenses in 1H11 were R$355.4 million or 19.9% of revenue, which R$154.1 million was spent on advertising, R$83.9 million on trade deals, R$65.8 million on samples and promotions to the points of sale, and R$51.5 million on medical sales representatives, as shown in the table below:

Table 6

MARKETING EXPENSES (R$ million)	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
Marketing Expenses	(269.4)	-19.3%	(355.4)	-19.9%	31.9%	(168.9)	-22.6%	(209.8)	-22.4%	24.2%
Advertisements and consumer promotion	(141.2)	-10.1%	(154.1)	-8.6%	9.1%	(95.2)	-12.7%	(97.8)	-10.4%	2.8%
Trade deals	(89.7)	-6.4%	(83.9)	-4.7%	-6.5%	(50.1)	-6.7%	(48.7)	-5.2%	-3.0%
Promotional Samples	(23.4)	-1.7%	(65.8)	-3.7%	181.9%	(15.2)	-2.0%	(35.4)	-3.8%	132.8%
Medical visits	(15.1)	-1.1%	(51.5)	-2.9%	240.6%	(8.4)	-1.1%	(28.0)	-3.0%	231.6%

Marketing expenses of 22.4% of Net Revenue were affected by expenses for severance payments to the medical sales representatives of 0.9 percentage points on merging the Mantecorp and Farmasa teams (classified as non-recurring), as announced in the 1Q11 earnings call. Excluding this effect, expenses would be 21.5% of net revenue, 1.1 p.p. below 2Q10, but still in line with Hypermarcas strategy of constantly promoting exposure for its brands to consumers, as well as the medical community, and points of sale.

Selling Expenses

Selling expenses in 2Q11 were R$168.8 million, or 18.0% of net revenue, and 2.7 p.p. higher than in 2Q10. Of this total, R$123.9 million went on commercial expenses, R$39.2 million on freight, and R$5.7 million on provision for delinquency.

Selling expenses of R$334.1 million, or 18.8% of net revenue, in 1H11 were 4.0 p.p. up against 1H10, and R$248.3 million of that total went on commercial expenses, R$72.1 million on freight and R$13.7 million on provision for delinquency.

Table 7

SALES EXPENSES (R$ million)	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
Sales Expenses	(206.2)	-14.8%	(334.1)	-18.8%	62.1%	(114.4)	-15.3%	(168.8)	-18.0%	47.6%
Comercial Expenses	(148.7)	-10.7%	(248.3)	-13.9%	67.0%	(84.3)	-11.3%	(123.9)	-13.2%	46.9%
Freights	(49.7)	-3.6%	(72.1)	-4.0%	45.1%	(26.5)	-3.5%	(39.2)	-4.2%	47.9%
Delinquency	(7.8)	-0.6%	(13.7)	-0.8%	75.5%	(3.5)	-0.5%	(5.7)	-0.6%	60.9%

This item includes expenses incurred for the sales force, promoters, sales commissions, demonstrators, freight, warehouse and distribution center management, and others. The increase in these expenses as a proportion of Net Revenue, against 2Q10 is related to the specific factors described below.

The process of consolidating the sales force is underway, including replacement of commissioned teams by own teams, which involves overlapping expenses. In regards to the distribution costs, there are synergies opportunities due to the transfer of Pharma industrial activities to Anápolis and Personal Care activities to Senador Canedo, which are planned to be finalized in September 2011 and December 2012, respectively.

General and Administrative Expenses

Administrative expenses in 2Q11 totaled R$74.5 million, or 8.0% of net revenue, against R$43.9 million in 2Q10 or 5.9% of net revenue. Administrative expenses in 1H11 totaled R$144.2 million, or 8.1% of Net Revenue, against R$89.9 million in 1H10 or 6.4% of net revenue.

Table 8

ADMINISTRATIVE EXPENSES (R$ million)	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
General and Tax Expenses	(89.9)	-6.4%	(144.2)	-8.1%	60.5%	(43.9)	-5.9%	(74.5)	-8.0%	69.8%

There was an intensive process of seizing synergies in 2Q11, particularly in Mantecorp, which culminated in restructuring expenses (mainly employee terminations – severance charges) in the general and administrative areas amounting to R$9.7 million (classified as non-recurring). Excluding the latter, general administrative expenses would have been 6.9% of Net Revenue.

Other Revenues and Operating Expenses, net

Other revenues totaled R$64.6 million, or 6.9% of net revenue, in 2Q11, against R$29.0 million, or 3.9% of Net Revenue, in 2Q10. At the 1H11 was R$69.6 million, or 3.9% of net revenue, against R$44.9 million, or 3.2% of net revenue in 1H10.

Table 9

OTHER INCOME (EXPENSES) (R$ million)	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
General and Tax Expenses	44.9	3.2%	69.6	3.9%	55.0%	29.0	3.9%	64.6	6.9%	122.3%

In 2Q11, as announced in the Notice to the Market of June 15, 2011, the divestiture of exclusive distribution rights for some products to Amgen was completed, which led to a positive result of R$28.5 million being included

under this heading (classified as non-recurring) and the remaining R$36.1 million were in other credits, acquisition/ restructuring expenses (classified as non-recurring) and other operational expenses.

EBITDA Reconciliation

EBITDA in 2Q11 was R$220.5 million, with a 23.5% margin against R$159.1 million or 21.3% of Net Revenue in 2Q10, and the 2H10RB of R$202.0 million, or 21.4% of net revenue. 1H11 EBITDA was R$435.2 million with a 24.4% margin against R$328.2 million, or 23.5% of net revenue in 1H10, and R$397.7 million, or 21.9% of net revenue for 1H10RB.

Chart 22

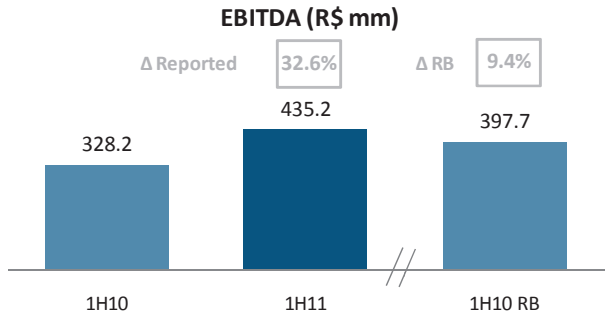


Chart 23

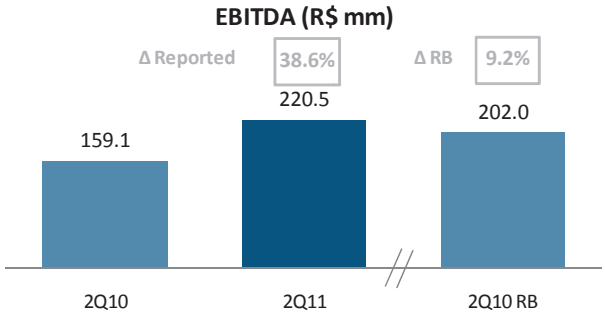


Chart 24

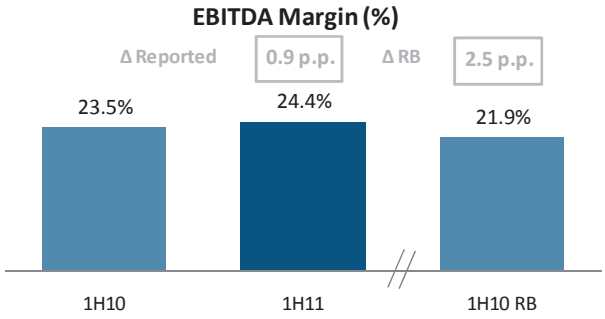


Chart 25

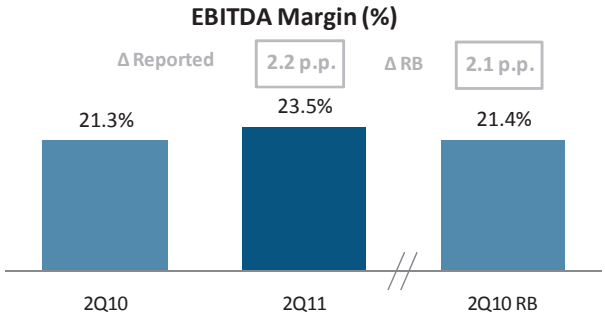


Table 10 *(not audited)*

EBITDA RECONCILIATION (R$ million)	1H10		1H11		Δ	1H10 RB (1)		Δ RB
EBIT	270.7	*19.4%*	327.9	*18.4%*	*21.1%*	325.1	*17.9%*	*0.9%*
(+) Depreciations / Amortizations	22.2	*1.6%*	42.3	*2.4%*	*90.1%*	37.4	*2.1%*	*13.0%*
(+) Other non-cash expenses	13.2	*0.9%*	8.1	*0.5%*	*(38.2%)*	5.0	*0.3%*	*62.3%*
(+) Non-recurring expenses	22.0	*1.6%*	56.9	*3.2%*	*158.6%*	30.2	*1.7%*	*88.6%*
EBITDA (2)	328.2	*23.5%*	435.2	*24.4%*	*32.6%*	397.7	*21.9%*	*9.4%*

EBITDA RECONCILIATION (R$ million)	2Q10		2Q11		Δ	2Q10 RB [1]		Δ RB
EBIT	118.8	*15.9%*	178.0	*19.0%*	*49.9%*	155.6	*16.5%*	*14.4%*
(+) Depreciations / Amortizations	11.9	*1.6%*	23.4	*2.5%*	*96.3%*	18.0	*1.9%*	*30.5%*
(+) Other non-cash expenses	8.2	*1.1%*	3.9	*0.4%*	*(51.9%)*	0.0	*0.0%*	-
(+) Non-recurring expenses	20.2	*2.7%*	15.1	*1.6%*	*(25.5%)*	28.4	*3.0%*	*(46.9%)*
EBITDA [2]	159.1	*21.3%*	220.5	*23.5%*	*38.6%*	202.0	*21.4%*	*9.2%*

Other non-cash expenses primarily included amortization of cost, as of the granting date, of the stock option programs for our executives, as per CPC 10. Non-recurring expenses include revenues and expenses deemed as limited recurrence, such as sale of assets, expenses related to closing and integrating acquired companies, or operational restructuring costs. For more details, see the Non-Recurring Expenses section on page 26.

Net Financial Expenses

Net Financial Expenses in 2Q11 were R$67.2 million, or 7.2% of Net Revenue. In 1H11, it were R$148.1 million, or 8.3% of net revenues.

Table 11

FINANC. INCOME AND EXPENSES (R$ million)	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
Financial Income and Expenses	(105.4)	*-7.6%*	(148.1)	*-8.3%*	*40.5%*	(43.8)	*-5.9%*	(67.2)	*-7.2%*	*53.3%*
Net Interest Expenses	(56.4)	*-4.0%*	(149.3)	*-8.4%*	*164.8%*	(23.7)	*-3.2%*	(76.5)	*-8.2%*	*222.6%*
FX Gains (Losses)	(23.8)	*-1.7%*	29.1	*1.6%*	*-222.2%*	(7.6)	*-1.0%*	23.3	*2.5%*	*-408.8%*
NPV Adjustment Realization	(25.2)	*-1.8%*	(27.9)	*-1.6%*	*10.9%*	(12.6)	*-1.7%*	(14.0)	*-1.5%*	*11.6%*

This line item's increase against 2Q10 is mainly related to higher net interest expenses due to higher average indebtedness after the acquisitions, despite a positive currency exchange-rate variation in the quarter.

Net Income

Net Income in 2Q11 was R$53.3 million, or 5.7% of Net Revenue. In 1H11, this figure totaled R$86.2 million, or 4.8% of net revenue, in line with 2Q10.

Chart 26

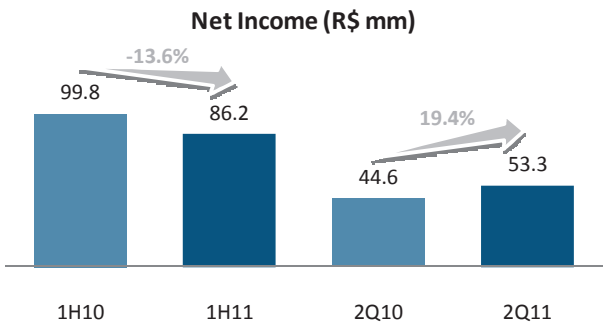


Chart 27

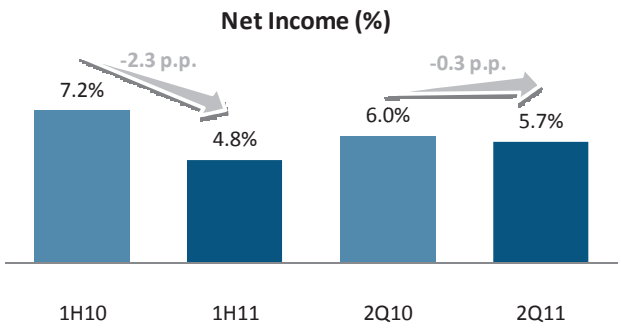


Table 12

NET INCOME *(R$ million)*	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
EBIT	270.7	*19.4%*	327.9	*18.4%*	*21.1%*	118.8	*15.9%*	178.0	*19.0%*	*49.9%*
(-) Net Financial Expenses	(105.4)	*-7.6%*	(148.1)	*-8.3%*	*40.5%*	(43.8)	*-5.9%*	(67.2)	*-7.2%*	*53.3%*
(-) Income tax and social contribution	(65.5)	*-4.7%*	(93.7)	*-5.3%*	*43.1%*	(30.3)	*-4.1%*	(57.6)	*-6.1%*	*89.9%*
Net Income	99.8	*7.2%*	86.2	*4.8%*	*-13.6%*	44.6	*6.0%*	53.3	*5.7%*	*19.4%*

Net Income in 2Q11 was practically in line with 2Q10 as a proportion of net revenue. The period's increased EBIT was partially offset by higher net financial expenses and the R$19.5 million impact on deferred income (IR) and social contribution (CSSL) taxes from Neo Química split approved by the Extraordinary Shareholders' Meeting of April 29, 2011.

Cash Earnings

Cash Earnings in 2Q11 were R$120.6 million, or 12.9% of Net Revenue, against R$243.7 million, or 13.7%, in 1H11.

Chart 28

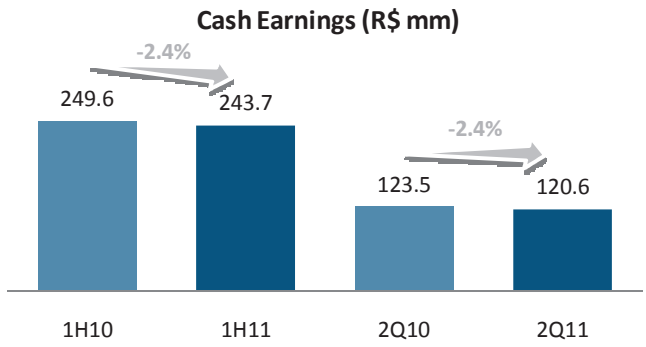


Chart 29

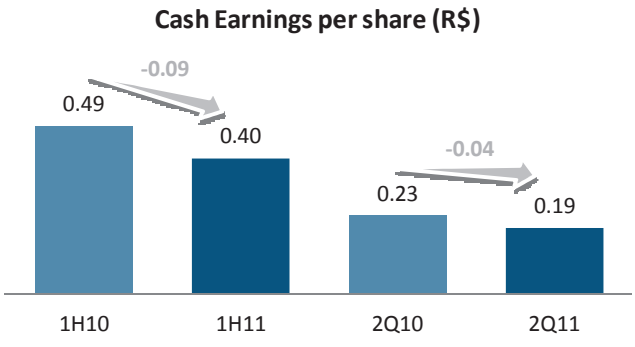


Table 13 *(not audited)*

CASH EARNINGS RECONCILIATION *(R$ million)*	1H10	% NR	1H11	% NR	Δ	2Q10	% NR	2Q11	% NR	Δ
EBITDA	328.2	*23.5%*	435.2	*24.4%*	*32.6%*	159.1	*21.3%*	220.5	*23.5%*	*38.6%*
(-) Depreciations / Amortizations	(22.2)	*1.6%*	(42.3)	*2.4%*	*90.1%*	(11.9)	*1.6%*	(23.4)	*2.5%*	*96.3%*
(-) Net Interest Expenses	(56.4)	*-4.0%*	(149.3)	*-8.4%*	*164.8%*	(23.7)	*-3.2%*	(76.5)	*-8.2%*	*222.6%*
Cash Earnings	249.6	*17.9%*	243.7	*13.7%*	*-2.4%*	123.5	*16.5%*	120.6	*12.9%*	*-2.4%*
Cash Earnings per Share	0.49		0.40		(0.09)	0.23		0.19		(0.04)

The 2.4% fall in Cash Earnings was mainly due to higher net interest expense reflecting higher average indebtedness in the year due to acquisitions made in the period. The lower Cash Earnings per Share was also influenced by shares issued in the period (follow-on and Mantecorp).

Cash flow

Net cash variation in 2Q11 amounted to R$911.8 million. Of this amount, the Company generated an operating cash flow of R$139.4 million, invested R$4.0 million in CAPEX, acquisitions and other investments, and obtained R$776.4 million from its financing activities. Net cash variation in 1H11 was R$359.0 million, of which R$170.7

million was from operating activities, R$895.6 million was spent on investing activities, and R$1,083.9 million was obtained through financing activities.

Table 14

CASH FLOW (R$ million)	1H10	1H11	2Q10	2Q11
Cash Balance at beginning of period	**499.3**	**2,409.5**	**641.9**	**1,844.6**
Cash Flow from Operating Activities	**174.8**	**170.7**	**39.4**	**139.4**
EBITDA	299.4	376.7	134.2	204.9
Delta Working Capital	(124.5)	(206.0)	(94.8)	(65.5)
Cash Flow from Investment Activities	**(403.0)**	**(895.6)**	**(225.2)**	**(4.0)**
CAPEX	(30.2)	(116.4)	(21.4)	(65.7)
Acquisitions and Others	(372.8)	(779.1)	(203.7)	61.7
Cash Flow from Financing Activities	**1,165.1**	**1,083.9**	**980.0**	**776.4**
Share Issuance	1,204.1	0.0	1,204.1	0.0
Financing (Loans and Notes Payable)	(38.9)	1,083.9	(224.0)	776.4
Cash Balance Increase	**936.9**	**359.0**	**794.3**	**911.8**
Cash Balance at end of period	**1,436.2**	**2,756.4**	**1,436.2**	**2,756.4**

The R$100.0 million increase in the Company´s operating cash flow in 2Q11 was due to a combination of improvements in working capital resulting from commercial policies in place as of 1Q11 and improved profitability (see Other Information - Operating Cycle). The CAPEX investments of R$65.7 million in the quarter were primarily made to consolidate Pharma's activities in Anapólis, which has been financed by FCO (*Fundo Constitucional de Financiamento do Centro-Oeste*; Constitutional Financing Fund of the Midwest).

Net Debt

Hypermarcas' Net Debt as of the end of 2Q11 was R$2,846.9 million, of which R$2,756.4 million was cash and equivalents, R$4,494.7 million loans and financing (including debentures and Bond) and R$1,108.6 million Notes Payable related to payments of installments of acquisitions, as follows:

Table 15 (not audited)

DEBT PROFILE *(R$ million)*	Balance on 2Q11	2011	2012	2013	2014	2015	2016	2017 and Others
Loans and Financing	4,494.7	600.5	111.3	557.8	776.3	1,025.9	150.7	1,272.2
Notes Payable	1,108.6	639.1	169.1	179.3	97.7	15.4	7.9	0.0
Gross Debt	**5,603.3**	**1,239.7**	**280.4**	**737.1**	**874.0**	**1,041.3**	**158.7**	**1,272.2**
Cash and Cash Equivalents	2,756.4	2,756.4						
Net Debt	**2,846.9**	**-1,516.7**						
% of Gross Debt subject to fx [4]	21%	0%	0%	0%	0%	0%	0%	92%
% of Gross Debt w/ no interest bearing	7%	2%	87%	13%	3%	0%	0%	0%
Leverage (Net Debt / 2Q11 EBITDA Annualized [6])	3.5 x							
Interest Coverage (LTM EBITDA / Net Interest expenses) [7]	3.4 x							

(5) Including hedges.

(6) According to covenant calculation methodology of 3,75x, it should be consider the highest of EBITDA LTM and 2Q11 annualized EBITDA.

(7) According to the covenant methodology for minimum interest expenses coverage of 2,0x, it should be considered the LTM EBITDA, divided by sum of interest expenses and financial income.

Of this debt, 21% is subject to exchange-rate variation and 7% is not subject to interest. Our average cost of debt was approximately the CDI rate - 1.5 percentage points with an average term of 4.2 years.

Contingencies

As required by CPC 15 - Business Combinations, provisions were made for probable and possible contingencies from the Mantecorp and Mabesa acquisitions. In this quarter, still under the measurement period as per CPC 15, together with Hypermarcas' legal advisors, the Company substantially concluded valuations of contingencies assumed in these acquisitions, resulting in a reversal of approximately R$190 million for possible duplicated contingencies posted against the goodwill premium account. *For further information, see Note 30 to the Audited Financial Statements.*

Table 16

CONTINGENCIES (R$ million)	1Q11	2Q11
Probable	96.3	97.4
Deposits	(11.3)	(14.6)
Possible (Acquisitions)	601.8	402.1
Total Provisions	**686.8**	**484.9**

Investor Relations Agenda

2Q11 Earnings Conference Call

Portuguese	English
Date: August 15th, 2011	Date: August 15, 2011
Time: 10:00am (New York)	Time: 1:30 p.m. (New York)
11:00am (Brasília)	2:30 p.m. (Brasília)
Telephone: +55 (11) 2188-0155	Telephone:
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Upcoming events

Table 17

Date	Event	Place
17/aug - 18/aug	4th Annual JPM Latam Brazil Retail and Healthcare Check-up	São Paulo
24/aug - 25/aug	12ª Conferência Anual Santander	Guarujá
7/sep - 9/sep	Deutsche Bank GEM Conference	New York
21/sep - 23/sep	Bank of America Merril Lynch Consumer & Retail Conference 2011	London
5/oct - 6/oct	BTG Pactual Latin CEO Conference	New York
7/oct	HSBC Latin America Consumer Conference	São Paulo
24/oct - 7/nov	Quiet Period	
07/nov	3Q11 Earnings Release	
29/nov and 1/dec	Save the date - HYPE DAY	São Paulo / Anápolis

Disclaimer

This release contains forward-looking statements that are exclusively related to the prospects of the business, its operating and financial results, and prospects for growth. These data are merely projections and, as such, based exclusively on our management's expectations for the future of the business and its continued access to capital to fund its business plan. These forward-looking statements substantially depend on changing market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors, as well as the risks shown in our filed disclosure documents, and are therefore subject to change without prior notice.

To ensure more accurate comparative analysis of the evolution of our consolidated results, we have decided to submit additional supplementary information with consolidated management financial data for the quarter ended June 30, 2010, retroactively applying the consolidation of results from Sapeka, Sanifill, Luper, York, Bitufo, Mantecorp, Mabesa, Rx Medley and Perfex brands, as if these acquisitions had occurred on January 1st, 2010, since our consolidated results for the quarter ended June 30, 2010 are not directly comparable with our consolidated results for the quarter ended June 30, 2011 shown in this announcement.

Our consolidated management financial data ("Reference Base") have not been audited or subjected to special revision by our independent auditors, and should be taken merely as an aid to understand the historical evolution of our earnings.

In addition, unaudited information herein reflects management's interpretation of information taken from its financial statements and their respective adjustments, which were prepared in accordance with market practices and for the sole purpose of a more detailed and specific analysis of our results. Therefore, these additional points and data must also be analyzed and interpreted independently by shareholders and market agents, who should carry out their own analysis and draw their own conclusions from the results reported herein. No data or interpretative analysis provided by our management should be treated as a guarantee of future performance or results and are merely illustrative of our directors' vision of our results.

Our management is not responsible for compliance or accuracy of the management financial data discussed in this report, which must be considered as for informational purposes only, and should not override the analysis of our audited consolidated financial statements for purposes of a decision to invest in our stock, or for any other purpose.

Income Statement for the period (R$ thousands)

Table 18

	Consolidated		Consolidated	
	2Q10	2Q11	1H10	1H11
Revenue	**746,659**	**936,613**	**1,394,340**	**1,781,860**
Cost of sales	-329,744	-370,074	-603,045	-689,893
Gross profit	**416,915**	**566,539**	**791,295**	**1,091,967**
Operating income (expenses)				
Selling and marketing expenses	-283,305	-378,555	-475,627	-689,495
General and administrative expenses	-43,876	-74,504	-89,857	-144,192
Other operating income (expenses), net	29,049	64,565	44,930	69,645
Operating income before equity income and financial reuslt	**118,783**	**178,045**	**270,741**	**327,925**
Financial Result	-43,824	-67,195	-105,414	-148,059
Financial Expenses	-79,484	-135,702	-155,067	-264,302
Financial Income	35,660	68,507	49,653	116,243
Profit before income tax and social contribution	**74,959**	**110,851**	**165,327**	**179,867**
Income tax and social contribution	-30,313	-57,559	-65,496	-93,703
Net Profit/ Loss from continued operations	**44,646**	**53,292**	**99,831**	**86,164**
Net Profit from descontinued operations	-	-	-	66
Net Profit/ Loss	**44,646**	**53,292**	**99,831**	**86,230**
Earnings per share – R$	**0.08**	**0.09**	**0.20**	**0.14**

Balance sheet (R$ thousand)

Table 19

Assets	Consolidated 06/30/2011	Consolidated 03/31/2011
Short-term assets	**5,156,684**	**4,276,945**
Cash and cash equivalents	2,756,403	1,844,556
Trade accounts receivable	1,015,589	1,139,101
Inventories	748,479	685,010
Tax recoverable	437,345	391,685
Other assets	176,981	202,443
Assets held for sale	21,887	14,150.0
Non-current assets	**8,572,242**	**8,755,923**
Long term assets	**356,264**	**419,210**
Related parties	9,181	9,349.0
Deferred income tax and social contribution	173,522	249,136
Tax recoverable	113,772	83,384
Other assets	59,789	77,341
Investments	**8,215,978**	**8,336,713**
Investments in subsidiaries	-	-
Other investments	434	431
Fixed assets	1,242,250	1,197,641
Intangible	6,973,294	7,138,641
Deferred charges	-	-
Total Assets	**13,728,926**	**13,032,868**

Liabilities and Shareholders Equity	Consolidated 06/30/2011	Consolidated 03/31/2011
Short-term	**1,957,305**	**1,985,297**
Suppliers	199,525	211,701
Loans and financing	600,542	548,753
Payroll and social charges	102,145	99,307
Income tax and social contribution	24,025	33,438
Taxes payable	115,693	115,019
Proposed Dividends	75,555	75,555
Accounts payable	200,674	237,105
Notes payable	639,146	664,419
Non-current liabilites	**11,771,621**	**11,047,571**
Long term liabilities	**4,987,613**	**4,310,133**
Related parties	-	-
Loans	3,894,206	2,852,323
Deferred income tax and social contribution	61,547	30,905
Notes payable	469,446	671,700
Other accounts payable	77,450	68,402
Allowance for contingencies	484,964	686,803
Shareholders equity	**6,784,008**	**6,737,438**
Capital	5,227,017	5,221,195
Capital reserve	1,391,870	1,404,380
Profit reserve	283,335	283,335
Equity valuation adjustments	-204,443	(204,410.0)
Accumulated profit/loss	86,229.0	32,938.0
Total liabilities and shareholders' equity	**13,728,926**	**13,032,868**

Cash flow statement (R$ thousands)

Table 20

	Consolidated		Consolidated	
	1Q10	1Q11	2Q10	2Q11
Cash flows from operating activities				
Income (loss) before income taxes	90,368	69,116	74,959	110,850
Adjustments:				
Depreciation and amortization	10,295	18,818	11,941	23,444
Amortization of goodwill	-	-	-	-
Gain on permanent asset disposals	-143	-1,580	-	-27,509
Equity method	-	-	-	-
Foreign exchange losses	16,295	-5,816	7,552	-23,328
Interest expense	45,295	86,680	37,284	90,523
Stock option expense	2,884	2,946	2,487	3,442
Adjusted results	164,994	170,164	134,223	177,423
Decrease (increase) in assets	-28,778	-34,713	-80,202	16,143
Trade accounts receivable	95,152	164,947	-5,390	123,557
Inventories	321	-108,175	-62,981	-60,246
Taxes recoverable	-64,703	-39,063	-14,112	-59,768
Judicial deposits	-1,782	-2,907	3,124	-2,365
Other accounts receivable	-57,766	-49,515	-843	14,965
Increase (decrease) in liabilities	-820	-104,230	-14,583	-54,124
Suppliers	20,643	-29,696	5,440	-12,171
Income tax and social contribution paid	-4,931	-24,668	-1,141	-9,373
Taxes payable	-11,058	8,268	-26,362	1,946
Salaries and payroll charges	3,502	7,464	12,888	3,344
Accounts payable	-4,856	-46,721	19,466	-37,120
Interest paid	-3,873	-1,280	-8,320	-2,825
Other accounts payable	-247	-17,597	-16,554	2,075
Net cash provided by operating activities	**135,396**	**31,221**	**39,438**	**139,442**
Cash flows from investing activities				
Acquisitions of subsidiaries, net of cash acquired	-181,256	-795,513	-237,566	-34,751
Acquisitions of property, plant and equipment	-8,785	-50,709	-21,439	-65,725
Deferred charges	-	-	-	-
Intangible assets	-996	-93,513	-805	-9,139
Proceeds from the sale of assets with permanent nature	325	5,277	340	38,580
Interest received	12,858	42,877	34,301	67,034
Net cash provided by (used in) investing activities	**-177,854**	**-891,581**	**-225,169**	**-4,001**
Cash flows from financing activities				
Proceeds from shares distribution	-	-	1,204,060	-
Capital integralization	-	-	-	5,822
Borrowings	400,570	503,194	265,521	1,167,243
Treasury stock purchase	-	-2,851	-	-15,954
Repayment of loans	-218,645	-188,971	-490,016	-390,588
Interest received	-	-	-	-
Interest paid on loans	3,176	-3,835	462	9,884
Dividends paid	-	-12,124	-	-
Net cash provided by (used in) financing activities	**185,101**	**307,537**	**980,027**	**776,406**
Increase in cash and cash equivalents, net	**142,643**	**-552,823**	**794,296**	**911,847**
Statement of increase in cash and cash equivalents, net				
At the beginning of the period	499,279	2,409,503	641,922	1,844,556
At the end of the period	641,922	1,844,556	1,436,218	2,756,403
Increase in cash and cash equivalents, net	**142,643**	**-564,947**	**794,296**	**911,847**

Other Information

Non Recurring Expenses

Table 21 *(not audited)*

BREAKDOWN NON RECURRING EXPENSES (R$ million)	1Q11		2Q11		1H11	
Expenses related to Acquisitions *	28.3	*3.4%*	12.9	*1.4%*	41.3	*2.3%*
Expenses related to Restructurings **	13.5	*1.6%*	30.7	*3.3%*	44.1	*2.5%*
Result from Divestiture (Amgen)	0.0	-	(28.5)	*-3.0%*	(28.5)	*-1.6%*
Total Non Recurring	**41.8**	***4.9%***	**15.1**	***1.6%***	**56.9**	***3.2%***

* Expenses related to lawyers, banks, auditors and consultants related to advice on acquisitions and integrations.

** Expenses related to the completion and integration of acquired businesses, or operating restructuring costs , such as severance and termination of labor and plants closing of Barueri and Brooklyn in order to consolidate in Anápolis.

Operational cycle

Table 22

	1Q11	2Q11
Days of Receivables	95	78
Days of Inventories	193	182
Days of Payables	60	49
Operating Cycle	228	211